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World Business Newspaper — THURSDAY DECEMBER 7 1995

Former Japanese minister arrested after fraud probe

Former Japanese labour minister Toshio Yamaguchi (left) was arrested on charges of breach of trust in connection with two failed financial institutions. He gave himself up to prosecutors after his parliamentary immunity was waived. Mr Yamaguchi, only the second Japanese member of parliament to be arrested in the past 28 years, said: "I had thought very carefully about committing *hara-kiri* (ritual suicide) over this, but I overslept this morning." Page 16; Arrest part of tale of Japanese 'bubble,' Page 6

US negotiator for Balkans: Chief US negotiator Richard Holbrooke will visit former Yugoslavia this weekend to calm Bosnian Serb concerns about the Dayton peace accord, the State Department said. Bosnia force has double agenda, Page 3; Croatian privatisation battle, Page 18

More top jobs at World Bank: Two extra managing directors are expected to be appointed at the World Bank next week despite scepticism among its shareholder governments, many attempting to cut administrative costs at home. Page 16

EU lifts fish ban: The European Union lifted a nine-month ban on Japanese fish imports worth just under Ecu20m ($26.2m) a year, citing improvements in hygiene controls at Japanese refrigerated depots. Page 3

China resumes WTO talks: Chinese officials in Geneva today resume protracted negotiations to press their case for China's entry into the World Trade Organisation with problem areas still remaining. Page 4

Bid to end Syria talks deadlock: Israel is working on a new negotiating strategy to break a four-year deadlock in peace talks with Syria. Prime minister Shimon Peres will present it to US president Bill Clinton in Washington next week. Page 5

Rwanda orders out aid agencies: The Rwandan government ordered 38 western non-governmental organisations to leave the country. They were accused of misconduct, including selling relief supplies on the market.

Australia's innovation push: Australia is to spend A$495m (US$381m) over the next four years on measures to encourage its industry to be more innovative and to improve its capacity to compete in higher-technology sectors. Page 6

KLM, Dutch national carrier, is close to buying a 26 per cent stake in Kenya Airways, marking its first alliance in Africa and the first airline privatisation in sub-Saharan Africa. Page 17

EU-style works councils backed: The UK Engineering Employers' Federation is to urge member companies to adopt the European Union's works council directive even though the UK's opt-out from the Maastricht treaty social chapter means the regulation does not apply. Page 8

Two held in Bouygues probe: Two senior executives of French building and communications group Bouygues, Bouygues-Telecom managing director Patrick Leleu, and group treasurer Philippe Renaud, are being investigated over possibile corruption related to alleged false invoicing.

Italian telecoms challenge: Telecom Italia Mobile, Italy's state-controlled mobile telephone operator, will face open competition for the first time from today, from privately-owned Omnitel Pronto Italia. Page 19

Violence mars Egyptian elections: At least 12 people died during parliamentary elections in Egypt. There were reports of widespread fraud by police and supporters of President Hosni Mubarak's ruling National Democratic party.

Papandreou operation: Greek prime minister Andreas Papandreou, in hospital with pneumonia for 17 days, underwent a tracheotomy operation to help his breathing.

Duchess's jewels found: The Duchess of York's £250,000 ($385,000) diamond necklace and bracelet, missing from her luggage when she flew home from the US, were recovered. New York baggage handler Gilbert Terrero, 19, was released on $75,000 bail after appearing in court on a theft charge.

Italian painting fetches $8m: Orazio Gentileschi's painting "The Finding of Moses" fetched £5.06m ($8m) at Sotheby's in London, a record price for the 17th century Italian artist.

■ STOCK MARKET INDICES		
New York lunchtime		
Dow Jones Ind Av	5186.76	(+8.31)
NASDAQ Composite	1058.56	(-7.33)
Europe and Far East		
CAC40	1834.75	(+19.58)
DAX	2267.18	(+6.19)
FT-SE 100	3662.8	(-7.4)
Nikkei	19067.86	(+183.33)
■ US LUNCHTIME RATES		
Federal Funds	6%	
3-mth Treas Bills: Yld	5.472%	
Long Bond	111$\frac{13}{32}$	
Yield	6.014%	
■ OTHER RATES		
UK: 3-mo Interbank	6$\frac{1}{2}$%	(same)
UK: 10 yr Gilt	107$\frac{3}{32}$	(107$\frac{3}{32}$)
France: 10 yr OAT	106.61	(106.19)
Germany: 10 yr Bond	103.29	(103.21)
Japan: 10 yr JGB	113.715	(113.435)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Jan)	$17.60	(17.49)

■ GOLD		
New York: Comex		
Feb	$390.3	(388.7)
London:		
close	$388.4	(386.75)
■ DOLLAR		
New York lunchtime		
£	1.5425	
DM	1.4423	
FFr	4.9675	
SFr	1.17005	
Y	101.365	
London:		
£	1.5403	(1.5405)
DM	1.4432	(1.4363)
FFr	4.9782	(4.9623)
SFr	1.1688	(1.1665)
Y	101.44	(101.425)
■ STERLING		
DM	2.2229	(2.2125)
Tokyo close:	Y 101.3	

Austria	Sch35	Greece	Dr430	Malta	Lm0.63	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lv110.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	Sk60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	Kc55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pes50	Switz	SFr3.60
Estonia	Kr20	Jordan	JD1.50	Poland	Zl4.20	Syria	S£50.00
Finland	FM15	Kuwait	Fils625	Portugal (mainland)	Esc300	Tunisia	Din1.500
France	FFr11.00	Lebanon	US$1.50			Turkey	L60,000
Germany	DM2.30	Lux	LFr70			UAE	Dh12.00

Drop in business confidence across Europe reflects recession worries

Fears over fall in German output

By Wolfgang Münchau in Frankfurt and Gillian Tett in London

The output of German industry declined markedly during October, according to provisional data released yesterday which underlined the continued weakness of the German economy.

The data came as a European Commission survey found a rise in pessimism among German businesses. The fall in confidence was echoed across Europe, reflecting fears that a recession in Germany would have knock-on effects in other countries.

In the UK, official figures yesterday showed that overall industrial production fell a seasonally adjusted 1 per cent in October. However, this was officially blamed largely on the unusually mild temperatures which reduced gas and electricity output.

The fall in German production came despite a strong rise in exports, which increased by 6.5 per cent during September. The data suggest strong export sales are alleviating some of the effects on industry of weak domestic demand.

Yesterday's data showed pan-German industrial production in October 1.6 per cent below September's level, and 3.4 per cent below the same month last year.

The consensus view among German economists is that the figures were consistent with other evidence pointing towards a period of slow growth, though well short of a recession.

The figures were widely anticipated by economists but created unusual uncertainty because of the recent changes in the way the Federal Statistics Office presents economic data.

Separately, the European Commission survey found that 11 per cent of German businesses were more pessimistic than optimistic in November, up from 10 per cent in October, and 1 per cent in June. Companies in Belgium, Italy, UK, France and Spain have all become more gloomy over the last two months. The Commission's Europewide measure – based on 28,000 businesses in 12 countries – has shown an accelerating drop in confidence over the autumn, after declining gently since the start of the year.

A balance of 8 per cent of European companies were more gloomy than optimistic in November, compared with 6 per cent in October.

Today, the German statistics office will publish preliminary third-quarter gross domestic product figures, which many economists expect to show zero growth, or even a small decline.

The trade surplus rose from DM55bn ($38bn) in the first nine of months of 1994 to DM67.6bn in the same period this year. In September, exports were up 6.5 per cent, compared to September 1994, while imports were up 2.2 per cent. The statistics are

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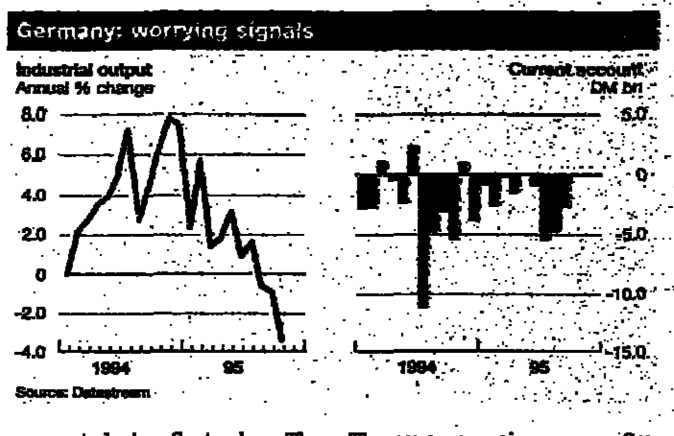
Germany: worrying signals



Source: Datastream

US index drops

The official index of US leading indicators dropped sharply in October, prompting renewed speculation that the Federal Reserve may cut short-term interest rates later this month.

The Commerce Department said the index – designed to predict business cycle troughs and peaks – fell 0.5 per cent.

Meanwhile, the Fed's latest "beige book" assessment of regional business conditions pointed to slower growth Page 7

EU competition officials to probe online alliance

By Emma Tucker in Brussels

European competition officials are to investigate a planned alliance of Bertelsmann, Deutsche Telekom and America Online to provide European personal computer users with online services, such as electronic mail and interactive games.

The European Commission fears that the emerging electronic multimedia industry could be dominated by alliances between large companies even before the market is fully liberalised.

These concerns have prompted Mr Karel Van Miert, the competition commissioner, to order an investigation into the consortium of America Online, the US's leading online company; Bertelsmann, Germany's and Europe's biggest publishing group; and Deutsche Telekom, Germany's dominant telecoms supplier and Europe's biggest telecoms company.

"We need to find out whether such a venture will have adverse effects on other competitors," said Mr Van Miert yesterday.

This is the third such project being scrutinised by Brussels. It has already opened inquiries into Europe Online, an alliance between Burda, the German publisher, and several Luxembourg financial institutions, and into Microsoft Network.

Last year the Commission blocked a deal between Bertelsmann, Deutsche Telekom, and Kirch, the German television group.

Brussels argues that markets must be properly liberalised before dominant players can be allowed to join forces. "We can't risk that multimedia markets are sewn up by defensive commercial moves before they are even opened to competition," it said.

However, the Commission has been criticised for being over-cautious and interfering with deals that are crucial for the development of Europe's information industries.

Officials stressed that the inquiry "in no way prejudges the final position of the Commission". It said it wanted to create conditions for the greatest possible innovation, including alliances and joint ventures, while respecting competition rules.

The planned agreement envisages cross shareholdings between America Online and Bertelsmann on the one hand and Telekom Online, Deutsche Telekom's subsidiary, on the other.

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Italian prime minister Lamberto Dini (left) and his British counterpart John Major review the honour guard in front of Palazzo Vacchio in Florence's Signoria Square. Mr Major is in Florence for the first Anglo-Italian summit in five years Inflation at 6% in Italy, Page 3 Picture: Associated Press

French strikes to overshadow Chirac's meeting with Kohl

By David Buchan in Paris

French President Jacques Chirac will today meet Chancellor Helmut Kohl in Germany to discuss plans for European monetary union at a meeting overshadowed by continued union strikes and protests at public sector reforms in France.

After a relative lull yesterday, France's strike movement is set to regain momentum today with teachers, hospitals, some airline staff and air controllers joining in the protests. The national rail stoppage enters its 14th day, while the Paris public transport system remains at a standstill.

Mr Chirac will fly to Baden-Baden, ironically the same town which President Charles de Gaulle visited at the height of the May 1968 troubles in France to consult army commanders of French troops stationed there.

The French and German leaders are expected to issue a joint call for next year's intergovernmental conference to improve decision-making in the European Union and reinforce its foreign and security policies.

With their finance ministers on hand, Mr Chirac and Mr Kohl are also likely to discuss the forthcoming decisions relating to European economic and monetary union (Emu) due to be taken at next week's Madrid summit.

But Mr Chirac's public determination to ensure that France qualifies as a founder-member of Emu risks being undermined by his domestic crisis.

Mr Charles Pasqua, a Gaullist ex-minister, yesterday suggested that France would do better to postpone Emu into the next century, and criticised his fellow Gaullist, Mr Alain Juppé, the prime minister, for trying to "run the country like a [company] board". Mr Pasqua said the French people needed "hopes, dreams and passion" to inspire them, not endless emphasis on deficit cuts dictated by the Maastricht treaty on Emu.

Meanwhile, the CGT and Force Ouvrière (FO) federations leading the strikes complained that Mr Juppé had delegated to his labour ministry the task of consulting, as distinct from negotiating, with the unions.

Mr Marc Blondel, the FO president who is calling for the complete withdrawal of the Juppé welfare reforms, said he wanted to negotiate "directly with the prime minister".

Both the CGT and FO are boycotting the commission set up by the government to recommend possible changes in the special pension arrangements for the country's 5.9m civil servants and public sector workers.

In the rail sector, only management unions have said they will appear before the commission, pledging to exercise "the greatest vigilance" in protecting railwaymen's rights.

At the higher level of union federations, only the moderate CFDT and CFTC federations have agreed to meet the commission.

Juppé counter-offensive is little and late, Page 3
Samuel Brittan, Page 14

Caltex to pull out of Nippon Oil joint venture

By William Dawkins in Tokyo

Caltex Petroleum, the US oil refining and marketing group, is to pull out of its 44-year-old joint venture with Nippon Oil, Japan's largest oil products distributor.

Nippon Oil has reluctantly agreed to pay Y200bn ($2bn) for Caltex's 50 per cent stake in their joint refining and importing company, Nippon Petroleum Refining, by the end of next March. Caltex said yesterday it wanted to focus more on Asian countries "with substantial economic growth potential."

Joint ventures between Japanese and foreign oil companies are the staple of Japan's oil import system, formed soon after the second world war. This is the first dissolution of such a venture.

Industry analysts heralded it as a prelude to a general shake-up among Japanese oil companies – all refiners and distributors – in the run-up to the liberalisation of oil imports next spring.

This is expected to provoke another collapse in prices in a near-stagnant market. Demand for refined products like petrol is growing at less than 4 per cent annually, according to the petroleum association of Japan.

The break-up triggered alarm across the Japanese oil industry, and caused the government's natural resources and energy agency to issue a statement that imports, on which Japan is dependent for its entire oil supply, would not be harmed.

The price of petrol, the main source of Japanese oil companies' profits, has fallen by a fifth in the past four years, because of a surplus of petrol stations, and is expected to fall even faster after imports are freed, according to Baring Securities in Tokyo.

Nippon Oil's group taxable profits fell by 27 per cent last year and are forecast by the company to fall by another 16 per cent this year.

The group's low dividends, a feature of many Japanese quoted companies' belief in retaining a high proportion of earnings, are also understood to have

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Bosnia force given double mission

By Bruce Clark in Brussels

Nato's giant peace implementation exercise in Bosnia could provide some practical answers to European defence problems that might never be solved on the drawing board, alliance officials said yesterday.

The 60,000-strong mission, involving 15 of Nato's 16 members and up to 17 other countries, is being seen as a trial run for security co-operation throughout the continent.

"Ifor (the implementation force for Bosnia) will not only be of benefit to former Yugoslavia," said one Nato official at a meeting in Brussels of foreign ministers from Nato and the former Warsaw pact. "It could be . . . the genesis of the new European security order."

If all goes to plan, the Bosnia force will provide the western nations with a way of finessing an issue that has hitherto proved intractable: how to include some ex-communist nations as full members of the western security system while maintaining relations with Russia?

But the reverse also applies, observers are warning: if the force is a failure, the prospects for a "new European architecture" will have darkened to the point where not even elaborate metaphors based on house-building can save them.

Exactly a year ago, Nato was plunged into disarray after the derailing of its twin-track strategy of incorporating new members while building a relationship with Russia. Moscow abruptly froze relations with Nato in protest at US-inspired plans to accelerate expansion.

Foreign ministers from the 53-nation Organisation for Security and Co-operation in Europe (OSCE), which will play a key role in implementing the security and human rights aspects of the Dayton peace settlement, meet in Budapest today, writes Anthony Robinson in London.

The OSCE, which includes all the former Soviet republics, has been given the responsibility of working out a "common and comprehensive security model for Europe in the 21st century".

Now the Bosnia force will give Russia, Ukraine and all the central European countries which aspire to join Nato, a chance to prove their credentials as partners in keeping Europe peaceful. The two ex-communist countries that have offered combat troops, the Czech Republic and Poland, happen to be the two prime candidates for Nato membership – in the event that next year's US elections are won by a president who favours launching the enlargement process in 1997. Russia, for its part, appears to have taken satisfaction from western signals that there will be no concrete moves towards enlargement in 1996.

Mr Andrei Kozyrev, the Russian foreign minister, yesterday confirmed Moscow's position – "yes to partnership (with Nato), no to enlargement" – after a friendly meeting with Mr Warren Christopher, the US secretary of state.

Mr Christopher has described as "nonsense" a claim by a well-informed Washington commentator, Mr Peter Rodman, that Russia agreed to co-operate with the US on Bosnia after receiving an assurance that Nato expansion would be put on ice. But with or without such a deal, Russia does appears to have slightly reduced the volume of its anti-Nato rhetoric.

Michael Lindemann in Bonn adds: The German parliament yesterday backed by a surprisingly large majority the deployment of 4,000 German troops in former Yugoslavia.

Both the opposition Social Democrats and the Greens oppose in principle the use of German troops outside Germany, but many deputies from both parties voted with Chancellor Helmut Kohl's coalition government. The motion was carried by 543 of the 656 votes. The broad consensus is a success for Mr Kohl.

Persson looks just the man for the job

Sweden's new premier-to-be stands out in an otherwise colourless cabinet, writes Hugh Carnegy

By his own reckoning, he said No five thousand times. But in the end Mr Göran Persson, Sweden's burly finance minister, said Yes with unabashed alacrity when the country's floundering Social Democratic party appealed to him officially to succeed Mr Ingvar Carlsson as prime minister and party leader next March.

His decision on Tuesday night was remarkable only because of the vehemence with which Mr Persson, 46, had insisted in public, right up to the last minute, that he would not take the job. He never sought to avoid the question. On the contrary, he appeared to relish thoroughly confusing, if not misleading, the electorate about his intentions, regardless of the effect on his future credibility.

But now that his position is clear, there can be little doubt Mr Persson was the outstanding candidate to take over from Mr Carlsson once Ms Mona Sahlin, the original favourite, was caught committing the fatal sin for the high-minded Social Democrats of using her government credit card for private spending.

Along with Ms Sahlin and Ms Margareta Winberg, the feisty but unacceptably left-wing agriculture minister, Mr Persson stood out in an otherwise colourless cabinet as a figure of real political stature.

His dogged commitment to administering the tough fiscal medicine needed to rescue Sweden from an acute crisis in the public finances has anchored Mr Carlsson's minority government through a hard year since the SDP returned to power in October 1994. The recent dramatic improvement in the budget deficit – the state debt is to be stabilised this year, two years ahead of schedule – and an upswing in economic growth have burnished Mr Persson's reputation.

The takeover from Mr Carlsson will not be immediate. In theory, a rival candidate may yet emerge to challenge Mr Persson, who is far from popular among the grassroots and left wing of the party, upset by the cuts he has made in welfare spending.

But that appears unlikely, given the unanimous backing he received from the SDP leadership selection committee, which included all the national party district chiefs. If all now goes to plan, Mr Persson will be formally elected at a congress in March when Mr Carlsson retires.

He is not expected to reveal the make-up of his government for some weeks. However, the approach he will take to the key task of remoulding Sweden's big, but battered, welfare system is already clear.

Mr Persson has been a leading figure within Social Democratic ranks arguing that Sweden had built in the 1970s and 1980s a public sector that had outgrown the economy's ability to pay for it.

He has not hesitated to cut cherished payments such as child benefits and unemployment pay (the latter has been reduced from 90 per cent of previous salary to 75 per cent to howls of outrage from the trade unions). He says he is prepared for some easing of the tax burden – the second highest in Europe after Denmark – once the public finances are back in order.

But Mr Persson is still committed to maintaining an egalitarian, welfare society, based on redistribution of wealth and universal benefits. He wants the private sector share of the economy to grow, so that the public sector can be secured and maintained.

"It is not a question of the overall tax burden," he said in an interview last week. "You can have high growth with a high tax burden. The issue of the Swedish welfare model is not so difficult. The shift in the system we made in the 1970s began to give benefits that were not financed. It is a question of achieving a balance of what Swedish production can bear. I will stick to the welfare society as we have built it – but it has to be solidly based."

This attitude has nevertheless failed to reassure many in the SDP who see Mr Persson as a wedge being driven into the welfare system. He is also swimming against the strongly Eurosceptic party tide in his advocacy of Swedish membership of the European Union's planned economic and monetary union.

His position has been strengthened, however, by the way the party was forced in its disarray after the fall of Ms Sahlin to appeal to him. In addition, the simultaneous election of Ms Ingela Thalen, the popular social affairs minister, as party secretary should help damp anti-Persson dissent – not least among the powerful SDP women's movement.

But Mr Persson can never meet its most ardent desire. It had hoped to crown its recent gains in winning 50 per cent of cabinet and SDP parliamentary seats for women by having a woman prime minister for the first time.

Brussels concern over air deals

Report fears smaller EU nations have opened door to US airlines

By Caroline Southey in Brussels

France, Germany and Britain face the greatest threat from "open skies" agreements which six smaller EU countries have signed with the US this year, according to a report prepared by the European Commission.

The accords granting full mutual market access which Belgium, Luxembourg, Sweden, Finland, Denmark and Austria have signed could mean that France, Germany and the UK lose market share as passengers choose to fly from airports in those states. The six accords could also erode the protection the three countries' enjoy in their own US bilateral agreements.

The findings appear in an analysis of the economic implications and form part of the campaign by Mr Neil Kinnock, the transport commissioner, to secure the right to negotiate with the US on behalf of all 15 EU countries. Mr Kinnock will discuss the report's conclusions with EU transport ministers today.

The report warns that bilateral deals are likely to create an open skies environment which will mainly benefit US carriers. It points out that liberalisation of the EU's internal market, to be completed in 1997 when carriers will be able to operate freely between and within all member states, will erode the effectiveness of protection built into each country's bilateral accords with the US. This protection includes restrictions on bilateral routes that US carriers can serve, the frequency with which US carriers can fly in the bilateral market, and pricing and airport restrictions.

The report says US airlines, through open skies deals, will be able to use an EU airline to carry their own passengers anywhere in the EU.

It cites the effect the deal between KLM and North West Airlines, signed in 1992, had on the German market. Although the total number of passengers travelling from Germany to the US had remained stable over the past three years, the number of German passengers travelling via Amsterdam had risen by about 80 per cent.

Although the English Channel means that fewer UK passengers will use other European airports to fly to the US, the market remains vulnerable as 30 per cent of passengers using London airports in 1991 were connecting passengers while 16 per cent began or ended their journey elsewhere in Europe.

The report also pinpoints weaknesses in the six open skies deals, arguing that inadequate answers are given to cabotage rights under which a foreign airline can carry passengers within another country, and "7th freedom" rights, under which an airliner from a third country can carry passengers between two countries.

Mr Wolfgang Schüssel, whose departure from the coalition prompted the election Bernhard Holzner

Vranitzky clings to lead as Austrian poll nears

By Eric Frey in Vienna

Austrian Chancellor Franz Vranitzky's Social Democrats are clinging to a narrow lead in opinion polls over their previous coalition partner, the conservative People's party, 10 days before a general election. But the polls also show that a fifth of the voters are still undecided, making the result on December 17 too close to call.

Two surveys published yesterday by the daily Standard and the weekly News show the Social Democrats at 31-33 per cent, the People's party at 29-31 per cent, and the rightwing Freedom party led by Mr Jörg Haider at 24-26 per cent. The Social Democrats have rebounded slightly from previous lows, the People's party is also gaining steadily, with Freedom stagnating.

The main losers are the Greens, who slipped to 7-8 per cent from nearly 10 per cent last month, while the Liberal Forum is holding steady at 5-7 per cent.

The polls were conducted before this week's final two televised debates involving the political leaders. The penultimate debate on Tuesday night was a head-to-head between Mr Vranitzky and Mr Wolfgang Schüssel, the vice-chancellor, who walked out of the coalition in October after disagreements over the budget.

The main survey organisations have said they will not publish polls in the last week of campaigning.

According to polls, the undecided are mostly in lower-income groups who could be swayed by the populist rhetoric of Mr Haider. But few apparently want the Freedom party leader as chancellor.

Mr Schüssel has dominated the campaign so far with calls for austerity, and, in their televised duel, put Mr Vranitzky on the defensive on budget issues. But many voters have not forgiven him for breaking up the coalition just a year after the last election.

Although Mr Vranitzky has run a lacklustre campaign, his party has successfully played on fears about cuts in Austria's generous social programmes. The strikes in France have raised concerns that Austria might face social unrest if it enacts a similar reform programme.

Mr Vranitzky is still favourite as chancellor, with 33 per cent support against 25 per cent for Mr Schüssel and 13 per cent for Mr Haider. The winner in the election will face difficulties forming a government. Mr Schüssel has stated his preference for reviving the nine-year-old coalition with the Social Democrats on his terms, but reconciliation would be difficult after the bitter divorce and a robust poll campaign.

If the Social Democrats fall to second place, Mr Vranitzky has said he will resign, and the party might choose to go into opposition for the first time in 25 years.

Mr Schüssel has not ruled out some form of co-operation with Freedom, but a formal coalition with Mr Haider is unlikely. As Mr Schüssel has said, a majority in parliament would never ratify his appointment to any cabinet position.

Brussels relaxes rules for R&D aid

By Emma Tucker in Brussels

New rules drawn up by the European Commission will allow companies to apply for higher levels of public subsidies to pay for research and development projects. The move is aimed at maintaining the competitiveness of European industry.

Commissioners have agreed that while basic limits on the amount governments can give enterprises for research will stay the same, certain companies will be allowed to apply for "bonuses" to top up the amount of state assistance they receive.

Existing EU ceilings for government R&D aid are 50 per cent of the total cost of a project for basic industrial research, and 25 per cent for applied research. Under the new rules the bonuses will allow some companies to receive as much as 75 per cent of the cost of a project in public aid. This is the maximum permissible limit agreed under General Agreement on Tariffs and Trade rules.

The new framework was announced after a long and stubborn battle between Mr Karel Van Miert, the competition commissioner, and Ms Edith Cresson, the research commissioner.

Mr Van Miert argued that ceilings should not be changed because any increase would lead to more taxpayers' money being poured into big companies that already benefit from generous government grants. He also believes that higher ceilings will work against the interests of the EU's poorer member states where governments are less inclined to spend money on research and development.

The highest amounts of aid in the EU are paid by the French, German and Benelux governments.

Ms Cresson, however, said the EU should raise ceilings to the maximum permissible level under international trade rules to ensure that European industry was receiving as much aid as companies in the US and Japan.

Yesterday both sides were claiming victory. Mr Van Miert said the fact that bonuses could only be paid to certain categories of company meant the door had not been opened to an unseemly race for public money. Ms Cresson claimed the categories were so wide that in effect the ceilings had been raised to 75 per cent.

According to the Commission the amount of public aid spent on research in the EU is roughly the same as in the US.

The total amount – including R&D spending by companies, universities and research institutes – is higher in the US, but principally because of high spending in the defence sector.

Some restrictions stay in place on Sunday shopping

Dutch shops to stay open longer

By Ronald van de Krol in Amsterdam

Shops in the Netherlands are to be allowed to stay open longer from mid-1996. The lower house of parliament has approved legislation to ease one of Europe's most restrictive retail regimes. Shops will be allowed to open from 6am to 10pm from Monday to Saturday, with Sunday trading also permitted 12 times a year.

Sunday trading will be at the discretion of local authorities, so shops in deeply Calvinist parts of the country are likely remain shut on Sunday.

Under current legislation, shops can open for a maximum of 55 hours a week. In practice, supermarkets, department stores and other retail outlets tend to open no earlier than 9am and close no later than 6pm. Many close on Monday mornings and open one evening a week, usually Thursday or Friday.

The prospect of longer shopping hours is one of the first tangible signs of the "purple revolution" that took place in the general election of May 1994, when the Christian Democrats were swept from power for the first time since the first world war.

The Christian Democrats, citing fears of family disruption if parents were required to work evenings, had long opposed radical changes to shop hours.

The three coalition partners – Labour, pro-business Liberals and the left-leaning D66, whose party logos produce the colour purple when mixed – are in favour of allowing market forces greater rein.

The Dutch move to liberalise hours follows just a month after neighbouring Germany, which had long banned Saturday afternoon shopping except for one Saturday a month, also approved expanded hours. If ratified by the upper house in early 1996, the Dutch vote means shops can start staying open longer from next summer.

Mr Hans Wijers, economic affairs minister, had originally proposed that shops be allowed to open every Sunday, but this was opposed by Labour.

Mr Jan Hol, spokesman for Ahold, the big Dutch food retailer, said its Albert Heijn supermarket chain would be open across the country from 9am to 8pm, six days a week, when the new hours took effect.

Its specialty shops will tailor their hours to the local market. "In big cities, this means they'll use the evening hours. If they're located near schools, they might open earlier in the morning," he said.

Employers and unions remain deadlocked on whether bonuses for evening and weekend work will continue to apply when shop hours are liberalised.

EUROPEAN NEWS DIGEST

Stakes raised over Irish Steel

Mr John Bruton, Ireland's prime minister, yesterday raised the stakes in the row with Britain over state aid for Irish Steel, the country's only steel mill, by seeking backing for an early meeting of European Union industry ministers to resolve the issue. Speaking in Brussels after a meeting of EU ambassadors, Mr Bruton accused the British of adopting an "unjustified" position in opposing I£27m ($43m) in state aid to save the loss-making plant in Cork. Mr Ian Lang, Britain's trade and industry secretary, could veto the state aid in the EU council of ministers. A senior UK minister yesterday said: "The chances of our not using the veto are pretty remote."

The UK is concerned that the aid will lead to job losses at British Steel's plant at Shelton in Staffordshire. Mr Lang told MPs in the House of Commons: "We cannot contemplate a situation in which jobs in Britain should be lost in order to save jobs in Ireland." London is looking for assurances that Irish Steel will divert an increased proportion of its sales to markets outside the European Union and that production at its Cork plant will be limited.

Dublin has offered to limit production to 350,000 tonnes of finished products for five years and to commit the company to selling up to 9 per cent of its output outside the EU. Currently all but 2 per cent of the 243,000 tonnes of construction steel it produces is sold within the Union.

John Murray Brown, Dublin, and Robert Peston, London

Russian budget clears hurdle

Russia's 1996 federal budget was approved yesterday by the lower house of parliament, providing reassurance that economic reform will remain on track despite the political blizzard surrounding this month's parliamentary elections.

More than 1,000 amendments were discussed since the budget bill's first reading, with more money being allocated to defence, agriculture, law enforcement and housing needs. However, corresponding spending cuts to the state administration and regional support budgets were also proposed, leaving the overall deficit at about the same level. Although the budget draft has now overcome the toughest parliamentary obstacles it has still to receive final approval from the upper house of parliament.

Mr Anatoly Chubais, first deputy prime minister in charge of economic policy, said implementation of the budget would allow Russia to cut next year's inflation rate to 1.9 per cent a month and reignite economic growth. But he expressed disappointment that parliament had also passed a heavily amended version of the production-sharing agreement, which is seen as critical for foreign investment in the energy sector. Mr Chubais said the law was simply unworkable given parliament's demands to approve every large investment project.

John Thornhill, Moscow

Papandreou has operation

Mr Andreas Papandreou, the Greek prime minister, underwent surgery yesterday to relieve breathing problems after spending eight days on a respirator. Doctors at the Onasseion Cardiac Hospital performed a tracheotomy, which involves piercing the windpipe, because the 76-year-old politician had failed to respond sufficiently to treatment aimed at strengthening his lungs.

Mr Papandreou was taken to hospital on November 20 with pneumonia. Although the infection has receded, he is still in serious condition and is expected to stand down as prime minister. The succession struggle in the governing Panhellenic Socialist Movement is intensifying as half a dozen past and present cabinet ministers contesting the leadership seek backing from party officials and parliamentary deputies.

Kerin Hope, Athens

Dini-Major summit on Emu

The British and Italian governments tried to harmonise their positions on the future of European monetary union at a one-day summit in Florence yesterday. Mr John Major and Mr Lamberto Dini, the two prime ministers, endorsed concerns that the implications of the third phase of monetary union due in 1999 needed to be studied in more depth. Their cautious approach underlined concern that Germany's desire to accelerate monetary union risks creating a serious divide within the EU.

Italy at present is unlikely to be able to meet the criteria to qualify for the next stage of monetary union and is increasingly nervous about being excluded from the hard core of qualifying northern countries formed round Germany.

The summit was held the day before President Jacques Chirac was due to hold a crucial meeting with Chancellor Helmut Kohl to consider co-ordinating policy towards monetary union and the forthcoming intergovernmental conference on the future of the EU.

Robert Graham, Rome

Italian ex-minister's appeal fails

Italy's constitutional court yesterday rejected a petition from Mr Filippo Mancuso, the former justice minister, which sought to annul his dismissal following a parliamentary vote of no-confidence. The decision closes an embarrassing chapter that nearly brought down Mr Lamberto Dini's government in October.

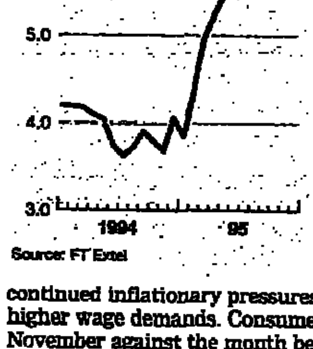
A vote of no-confidence in Mr Mancuso, a former judge, was passed in the Senate after he had refused to drop his belligerent stance towards the nation's investigative magistrates. During the debate Mr Mancuso insulted President Oscar Luigi Scalfaro and hinted he had material to blackmail both him and the government. He was strongly supported by the rightwing alliance headed by Mr Silvio Berlusconi, the former prime minister.

Mr Mancuso challenged the decision on grounds that parliament could not pass a motion of no-confidence in an individual minister. He hinted again yesterday he possessed damaging information about the government.

Robert Graham

ECONOMIC WATCH

Inflation at 6% in Italy



Italy's annualised inflation rate has been confirmed at 6 per cent in November by Istat, the official statistics institute. The financial markets had feared the final figure might prove higher than the 6 per cent published 10 days ago on the basis of data from the main cities. Nevertheless, the rate is still almost double the European Union norm, and well above government projections. Mr Rainer Masera, budget minister, sought to play down the figure saying "this is high but not especially worrying". However, unions warned that continued inflationary pressures could easily be reflected in higher wage demands. Consumer prices rose 0.6 per cent in November against the month before, the second consecutive monthly rise after apparently levelling off during the summer. On this basis, January-November inflation averaged 5.4 per cent, a figure Istat expects for the year's end, against a 3.5 per cent target. The main push behind November inflation is believed to have been a 3 per cent increase in car list prices. Economists claim the statistics hide the real rise as car manufacturers offered big discounts.

Robert Graham, Rome

■ French non-farm employment rose a final 0.1 per cent in the third quarter, compared with a provisional 0.2 per cent.

■ Wholesale prices in Austria fell a preliminary 2.4 per cent in November from a year earlier, and 0.1 per cent against October.

Juppé counter-offensive is little and late

By David Buchan in Paris

Like a coin placed on edge, the outcome of France's reform crisis could go either way.

Fortune may eventually favour Mr Alain Juppé, the prime minister. But so late has he left his counter-offensive that the protest movement led by unions opposing his welfare reforms has developed considerable momentum.

After the slight lull yesterday following massive street marches around the country on Tuesday, strikes will bite into the public sector again today. The CGT and Force Ouvrière union federations, who form the core of the protest movement, are digging in deeper.

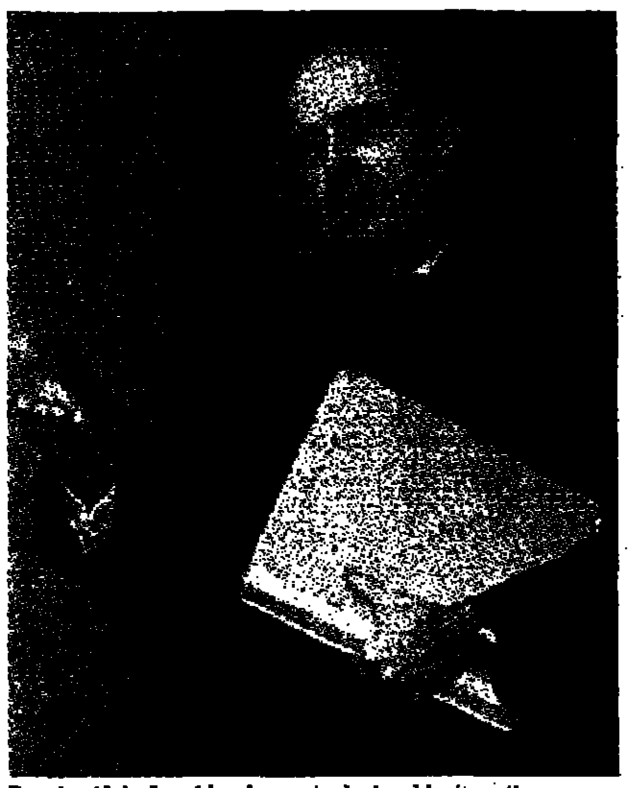
Mr Marc Blondel, president of FO, said *he saw nothing* in the prime minister's overtures to lead him to abandon the strike, while Mr Louis Viannet, the CGT president, claimed his members' disappointment at Mr Juppé now verged on anger. Both still demand that Mr Juppé formally abandon his plan to increase welfare charges and curb welfare spending to wipe out the FFr60bn ($12.3bn) annual social security deficit over the next two years.

In the National Assembly on Tuesday Mr Juppé slightly shifted ground. He paraded his determination to carry through his welfare plans, but recognised that he now had to show *maximum willingness to* consult, though not necessarily to negotiate with, the unions.

However, Mr Juppé discreetly opened a door to real negotiations on the most sensitive point of all – changes in public sector pensions. In announcing his mid-November reforms, Mr Juppé said the long-term financial future of the multifarious special pension funds for the country's 5.9m civil servants and public sector workers lay in extending the period of their pension contributions from 37.5 to 40 years, so matching the change imposed on 14m private sector employees two years ago.

Mr Juppé's officials said yesterday that the prime minister still believed in a lengthening of public pensions contributions. But not only did Mr Juppé omit any restating of the 40-year target for pension contributions, but he also explicitly stressed that "there is no question of aligning" public with private pensions. He left it up to a new government-appointed commission to pronounce on the "specificities" of public pension arrangements.

But only Ms Nicole Notat, president of the moderate CFDT union federation, chose to recognise this as a concession, hailing Mr Juppé's "lifting of the sword of Damocles" hanging over public pensions. But ever since she gave an immediate welcome to the health insurance aspects of the Juppé plan, Ms Notat has been wandering about in no-man's land, her stance contested by her federation's rail members and some others. Earlier this week Mr Juppé assured his backbenchers that he did not intend to commit political suicide, claiming to be "courageous but not reckless".



Premier Alain Juppé leaving yesterday's cabinet meeting *Reuter*

His public pension reform – which is the one strand of complaint shared by the 5.9m people in the state sector – is relatively minor in immediate financial terms. The shortfall in the public pension funds is FFr3.8bn this year, though in the absence of reform it will grow tenfold by 2005. This is one reason why the government claims some action is needed now.

The other reason is that the government reckons one concession would merely whet the unions' appetite for more, which would have the result of endangering the whole welfare reform, designed among other things to close the health insurance deficit, which is FFr34bn this year.

But this week Mr Juppé gave the National Assembly *two tax pledges which could* cost state finances just as much as any social security concessions. First, he killed the idea, floated by Mr Jean Arthuis, the finance minister, of using next year's tax reform to end the 20 per cent tax deduction for income taxpayers and to devote the resulting savings to the state to lower income tax rates.

Second, he promised that the *contribution généralisé sociale* – which, despite its name, is a pseudo-income tax extended to all revenue rather than a social or payroll charge – would be increased, but also be made deductible from regular income tax. Popular though they may be, these moves will complicate Mr Arthuis' task of slicing next year's budget deficit by 10 per cent to FFr287bn.

Inevitably the crisis has also re-opened the debate over Maastricht. The government is using the Maastricht criteria for monetary union as a stick with which to beat the opponents of its reforms, but is clearly worried that the stick may now break in its own hands. The government line is that, even without Maastricht, the country would have to reform itself.

But there is no escaping the fact that the pace of deficit reduction is accelerated and dictated by the Maastricht timetable. When Mr Jean-Pierre Chevènement, the *left-wing nationalist deputy,* pointed this out on Tuesday, he got some Gaullist backbench cheers.

Mr Charles Pasqua, the Gaullist ex-minister, rubbed the point in during an interview with L'Express in which he said monetary union "can just as well be put in place in 2001 rather than in 1999".

This is hardly the ideal domestic political backdrop for President Jacques Chirac's summit meeting with Chancellor Helmut Kohl at Baden-Baden, where the pair are due to reaffirm their firm intention to reach monetary union on time.

Samuel Brittan, Page 14

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297 0621, Fax (01) 4297 0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.

Chirac to find relief in spa town

By Peter Norman in Bonn

In times of trouble, good friends usually try to stick together.

Against the background of strikes and protests in France at government plans to slim down the welfare state and growing nervousness and fractiousness inside the centre-right coalition in Bonn, Mr Jacques Chirac, the French president, and Mr Helmut Kohl, the German Chancellor, will today stress their solidarity on European Union issues when they meet for the 66th Franco-German summit.

At the end of an afternoon's talks in the elegant spa town of Baden-Baden, the two leaders are due to disclose a joint position underlining their commitment to a further integration of the EU and naming their goals for the forthcoming intergovernmental conference (IGC) on EU reform. But all the signs are that the paper, which will take the form of a letter to Mr Felipe González, the Spanish prime minister and current EU president, will be short on detail. This indicates a difficult process of achieving consensus as well as a determination not to offend other EU members with too prescriptive an approach to Europe's future.

There is, for example, a considerable gap between German enthusiasm and French distaste for greater integration of EU internal and judicial affairs. On the other hand, Germany's decision to send troops to join the peacekeeping force in the former Yugoslavia, France's intention to move closer to Nato and a greater preparedness by France to accept weighted majority voting in EU decisions may augur well for a joint approach to a common foreign and security policy. Although time is limited, there are hopes that today's talks will look beyond the IGC towards the enlargement of the EU in eastern and central Europe, which both countries favour, and the problems that enlargement will bring for the EU budget and agricultural policies.

Some bilateral issues will be on the agenda, such as possible co-operation in developing a new generation of reconnaissance satellites.

It is only since late October, when Mr Chirac cemented relations with Chancellor Kohl on a visit to Bonn, that the German government has felt it has the measure of the new incumbent of the Elysée palace.

According to one Francophile Bundestag MP, the French government achieved nothing in terms of foreign or domestic policy in its first six months of office. Since the October visit, Bonn has been impressed at France's commitment to economic stability in the context of planned economic and monetary union, although privately officials and parliamentarians express wonder at the Juppé administration's authoritarian approach to cutting back the welfare state.

Although today's discussions will try to rise above the social conflict in France and look to the IGC and beyond, Bonn is keenly aware that France has become a testing ground for the whole Emu policy.

A French government failure to hold firmly to its economic policies would, in the German view, threaten not only the Emu project and timetable: it would also put at risk the economic modernisation of France.

German economics minister survives in cabinet for now

FDP keeps Bonn guessing

By Michael Lindemann in Bonn

Mr Günter Rexrodt looks set to remain Germany's economics minister, for another week at least, after speculation yesterday that he would resign as a part of a reshuffle of ministers from the Free Democratic party (FDP), the junior partners in Chancellor Helmut Kohl's government.

Mr Wolfgang Gerhardt, the *FDP leader, emerged from an* impromptu two-hour meeting of the party's executive to announce that all three FDP ministers, including Mr Klaus Kinkel, the foreign minister, would remain in office.

But Mr Gerhardt hinted that Mr Rexrodt's respite might be short when he said the party could still reshuffle some cabinet posts after FDP members voted next week on controversial proposed legislation to allow electronic surveillance of criminal suspects.

The fact that Mr Rexrodt survived yesterday's party meeting, the most dangerous threat to his position so far, suggests he may stay on beyond next Thursday's meeting. He described yesterday's decision as "an important show of confidence".

Mr Gerhardt said all decisions had been postponed until then. If a decision was necessary, Mr Gerhardt said, he would suggest alternatives for Mrs Sabine Leutheusser-Schnarrenberger, the justice minister, and possibly for Mr Rexrodt.

Mr Gerhardt's comments ended two days of rumours which have battered the FDP as it struggles to shape a new political identity after a poor performance in last year's federal elections.

There has been repeated speculation this year that Mr Rexrodt would be forced out of his job because he was not representing the interests of German industry effectively enough in Bonn, and has been unable to get across the FDP's traditional message of lower taxation and more enterprise.

Mr Gerhardt's comments suggest that he will appoint a replacement next week for Mrs Leutheusser-Schnarrenberger, who has said she will resign if the FDP votes in favour of the new electronic surveillance measures, something she has consistently opposed.

Speculation that Mr Rexrodt would be replaced resurfaced this week when Mr Gerhardt *suggested to journalists on* Monday that he might have to make new appointments as part of an FDP reshuffle. These comments were underscored later when, during interviews, Mr Gerhardt gave Mr Rexrodt no explicit backing.

> 'The FDP's leadership is so weak it can't even organise a halfway decent resignation for its ministers. What a stunning example of leadership'

Meanwhile, a series of senior FDP politicians, including Mr Otto Lambsdorff, a former economics minister, demanded an end to the discussion about ministerial appointments which he described as "disastrous".

Mrs Irmgard Schwaetzer, another former FDP minister, described the developments yesterday as "shabby and unprofessional", an apparent veiled *attack on the way* Mr Gerhardt has handled the issue.

The opposition Social Democrats gleefully lampooned the episode in a statement saying: "The FDP leadership is so weak it can't even organise a halfway decent resignation for its ministers. What a stunning example of leadership."

EU lifts ban on Japanese fish

By William Dawkins in Tokyo

The European Union yesterday lifted a nine-month ban on Japanese fish imports worth just under Ecu20m ($26.2m) a year, citing improvements in hygiene controls at Japanese refrigerated depots.

Japanese authorities called the ban an over-reaction when it was imposed last April. Its lifting will remove one of the few irritants in EU-Japan trade relations. It applied to shrimps and surimi, a mixture of semi-processed flaked fish.

Japanese scallop sales to the EU remain embargoed but officials expect to settle outstanding questions on scallop hygiene checks in time for the harvest early next year.

The ban on Japanese fish was applied after a routine inspection by EU officials uncovered inadequate hygiene controls at Japanese frozen fish centres. Since then, Japanese fishery officials have toured Danish frozen food warehouses to research EU health checks and, as a result, instituted reforms to their own inspection system.

The EU embargo came at a time of growing international concern over the use of hygiene standards as a barrier to trade, highlighted in an agreement in the Uruguay Round of trade talks, which came into effect in January, that governments should not set unnecessarily tough health and safety rules.

● Japanese and US trade officials yesterday opened two days of talks on barriers to competition in Japan's domestic markets. The US is pressing Japan to strengthen its anti-cartel rules, seen as too weak to ensure open competition. US negotiators have submitted 300 economic deregulation requests including the scrapping of curbs on the opening of large supermarkets, and an end to government price controls. This is the latest stage in the US-Japan economic framework talks, which opened two years ago, intended to hasten the decline in Japan's current account surplus.

US map puts China on road to WTO

Beijing today resumes its tough negotiations on joining the World Trade Organisation armed with guidance from Washington on ways around the remaining stumbling blocks

By Tony Walker in Beijing

Armed with a US-drafted "road map" laying out terms for entry to the World Trade Organisation, Chinese negotiators today meet the WTO working party on China in Geneva in an effort to advance the process.

Western and Chinese officials in Beijing say that a breakthrough in the protracted negotiations is unlikely at this stage; although they expect renewed progress after a fallow period.

China's noisy attempt to become a "founder member" of WTO, established on January 1 this year as the successor body to the General Agreement on Tariffs and Trade, masked an unwillingness to make the gestures necessary to meet the demands of its negotiating partners – either on the wording of a detailed protocol or on the necessary bilateral agreements.

But China's leadership, which had insisted there would be no new concessions to secure Gatt entry, the formal step required for WTO membership, has quietly shelved that position.

The announcement at the Asia Pacific Economic Co-operation forum in Osaka that China would from next year reduce tariffs on a list of 4,000 imported items was clearly aimed at improving the climate for WTO membership.

"The atmosphere going into the talks is certainly improved with China making what may be a significant gesture in Osaka as a downpayment," said a western official in Beijing. "But we need to see more details of what's involved and how China would deal with various protocol issues. We really need to see the colour of their money."

Among recent developments that indicate a greater seriousness of purpose is China's request to the US that it provide a written outline of the steps necessary to satisfy requirements for entry to Gatt.

That 13-page document, or "road map", consisting of some 25 categories, was handed to the Chinese in November by Ms Charlene Barshefsky, US deputy trade representative.

It identifies areas where substantial disagreements remain and provides an outline of ways in which the gap might be bridged. Key sticking points include:

● Trading rights: China has proposed staged liberalisation over eight years. Its negotiating partners want restrictions on the rights of companies to engage in foreign trade liberalised in three years. State trading companies now dominate.

● Non-tariff measures: China's offer of a phased elimination does not go far enough.

● Price controls: China is under pressure to reduce categories where controls are applied.

● Subsidies: China is being asked to provide greater transparency on export subsidies on agricultural products and to agree to their phasing out.

● Safeguards: China remains adamantly opposed to any discriminatory safeguards in the protocol. Its negotiating partners want these safeguards to protect themselves against expected "surges" of Chinese exports of such items as textiles and footwear into their home markets.

● Transition period: China is being asked to indicate which areas will require special transition periods.

"There are a lot of problem areas related to protocol conditions," said a senior official of the ministry of foreign trade and economic co-operation.

China is most exercised by the "safeguards issue" and wants to limit the scope of such a measure. "Under the terms of proposals we are being asked to consider, contracting parties can depart from Gatt rules at any time in the application of safeguards," said the official. "That is contrary to the spirit of free trade."

The US and European Union are seeking both a general safeguard and product-specific safeguard – both with low thresholds.

While negotiation of the protocol covering China's entry is proving extremely complex, bilateral negotiations between the Chinese and Gatt contracting parties are also tortuous.

Of particular concern to big commodity exporting countries like the US, Canada and Australia are those relating to tariffs and quotas on wheat, barley, rice, cotton, wool and sugar.

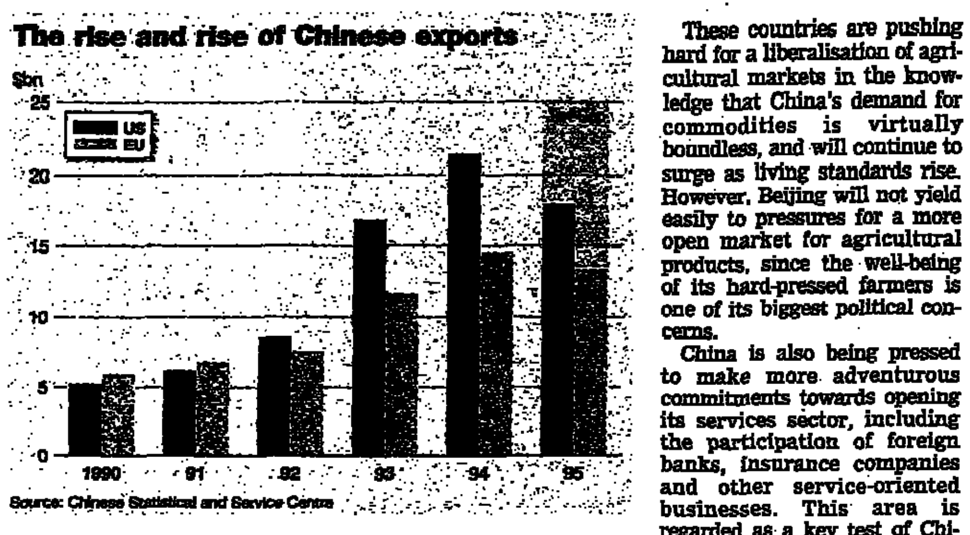
These countries are pushing hard for a liberalisation of agricultural markets in the knowledge that China's demand for commodities is virtually boundless, and will continue to surge as living standards rise. However, Beijing will not yield easily to pressures for a more open market for agricultural products, since the well-being of its hard-pressed farmers is one of its biggest political concerns.

China is also being pressed to make more adventurous commitments towards opening its services sector, including the participation of foreign banks, insurance companies and other service-oriented businesses. This area is regarded as a key test of China's commitment to market liberalisation.

Chinese officials say they object to remarks by US and European officials that there remains a big gap between China's position and the demands of its negotiating partners. Beijing regularly accuses the US of seeking to frustrate its ambitions to become a member of the WTO, but there is little doubt that China initially chose to misunderstand the fairly rigorous requirements for Gatt consistency.

China is now saying the "time is ripe" for entry to the WTO. Its negotiating partners will have other ideas until the Chinese move substantially on some of the more contentious protocol issues such as trading rights, subsidies, price controls and non-tariff measures.

The rise and rise of Chinese exports



Source: Chinese Statistical and Service Centre

Russian entry to trade body 'years away'

By Frances Williams in Geneva

Talks on Russia's bid to join the World Trade Organisation continue to make progress but entry remains some way off, trade officials said yesterday after the WTO working party on Russian membership met for the second time.

Officials said the negotiations were still at an early stage and the inevitably tough bargaining over Russia's accession terms had yet to begin. "After China, people are very leery of setting a target date for Russian membership," said one Geneva-based official, adding that two to three years was probably realistic.

The working party meets again next May to complete its detailed examination of Russia's current and planned trade regime for goods, services and intellectual property protection. Only then can work start in earnest on the lengthy process of drafting the protocol of accession and negotiating market-access commitments for goods and services.

The main problems so far relate to uncertainty over what Russia's trade policies are in a number of areas, including agriculture and state-owned businesses.

The US is particularly concerned about the failure of the Russian parliament to approve the 1992 bilateral investment treaty protecting US investments in the country. Washington has also called for quick action by Moscow to end rampant piracy of US compact discs and videos, which it agreed to in a separate 1992 trade agreement.

Russian officials said this week that the government was "taking concrete measures" to enforce intellectual property legislation and repeated that attracting foreign investment was "a top priority objective".

Russia is among 28 nations in the queue to join the WTO, including China, Taiwan, Vietnam, Saudi Arabia and several former Soviet republics. The WTO currently has 111 members, with the figure due to rise to 112 next week with the accession of Cameroon.

Another 16 countries, mostly poor developing nations, are members of Gatt, the WTO's predecessor, which is being wound up at the end of the year. These countries are expected to be given extra time to comply with WTO membership requirements.

● The World Trade Organisation yesterday praised Slovakia's trade policies and said the country's generally liberal and transparent trade regime had contributed to rapid economic growth of 5-6 per cent over the past two years.

However, the WTO report found fault with Slovakia's 10 per cent temporary surcharge on imports of consumer goods, imposed for balance of payments reasons. Slovak officials confirmed yesterday that the government would eliminate the surcharge by mid-1996. The WTO report also expressed concern at the slowdown in the pace of privatisation in Slovakia and continuing state influence over newly privatised companies.

Slovakia's trade pattern has shifted dramatically since 1989 when most trade was with the Soviet Union and its satellites. Excluding trade with the Czech Republic, its partner in a customs union, 71 per cent of goods exports now go to western Europe. Preferential partners account for more than 80 per cent of the country's merchandise exports and 70 per cent of imports.

WORLD TRADE NEWS DIGEST

Vietnamese to lease Airbuses

Vietnam Airlines is expected to sign a lease this month with Regionair of Singapore for 10 Airbus A320-200 aircraft. Once finalised, the Airbus deal would pave the way for a big sales contract for Airbus Industrie as Regionair does not have 10 aircraft available for immediate lease to the Vietnamese flag carrier. The Vietnamese carrier is also talking to GE Capital Aviation Services (Gecas), a subsidiary of General Electric of the US, for a medium-term lease of several Boeing 767-300s.

The Airbus and Boeing arrangements would be for operating leases, which would give Vietnam Airlines the option of flying and maintaining the aircraft itself or contracting this out. Some of the 10 aircraft to be leased will replace existing Airbus aircraft whose leases run out next year. The rest will be allocated to regional routes and domestic routes currently served by ageing Soviet-made Tupolevs.

The Vietnamese airline urgently needs more medium-range aircraft for its booming local network and for planned additions to south-east Asian and other international routes.

Jeremy Grant, Ho Chi Minh City

EU probes cross-border car sales

The European Commission is investigating complaints from Austrians that they are being prevented by Italian car dealers from buying more cheaply in Italy. According to Mr Karel Van Miert, the competition commissioner (left), the complaint centres on Volkswagen, but other companies are also expected to be checked. Following the devaluation of the lira, Austrians have flocked across the border to buy cars in Italy with their stronger currency. Car distributors are alleged to have put pressure on dealers not to sell to Austrian customers. Although distributors enjoy certain protective privileges, they are not allowed to prohibit such cross-border activity under single market rules.

The issue of cross-border shopping for cars is sensitive. Car dealers in France have complained bitterly about the loss of trade in frontier regions as a result of devalued currencies in neighbouring countries.

If the Commission decides dealers have behaved illegally, they risk losing privileges enjoyed under a so-called "block exemption" agreement that protects them from certain aspects of competition law.

Emma Tucker, Brussels

Nissan opens Philippines plant

Star Manufacturing Industries, a Philippines joint venture with Nissan, yesterday opened an 800m pesos ($30.5m) vehicle-assembly plant in the Philippines which is expected to produce 30,000 cars a year.

The plant, which will employ 500 people, is the latest in a series of Japanese vehicle investments in the Philippines. One of Star's neighbours at Laguna Technopark, a joint Philippines-Japanese industrial zone south of Manila, is Honda (Philippines) which recently moved to round-the-clock production.

About 90 per cent of private cars in the Philippines are Japanese brands and car sales have risen by 30 per cent this year. The Japanese carmaker said it would use the latest technology to produce the four-wheel Nissan Terrano 4x, also called the Pathfinder.

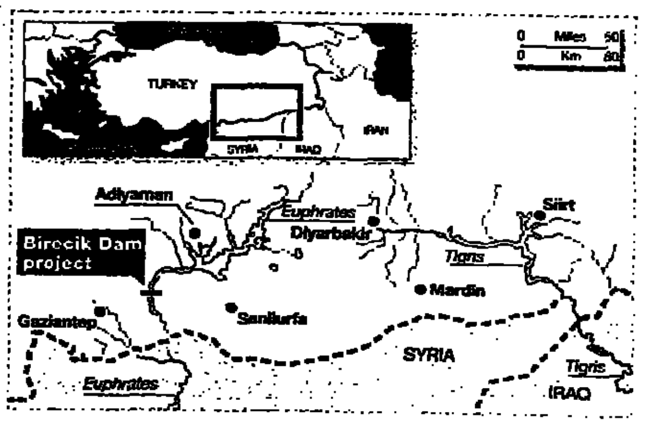
Edward Luce, Manila

■ Rolls-Royce of the UK has signed a $250m contract with Gulfstream Aerospace for Tay engines to power the Gulfstream IV-SP corporate aircraft. The company said the order for Tay 611 would take Tay engine production for the GIV-SP into the next century. The order takes the total of Rolls-Royce engines ordered by Gulfstream to more than 2,300 since the first GI entered service in 1959. *AFX News, London*

■ ABB Asea Brown Boveri has won a $100m order from Korea Electric Power to supply 10 steam turbines for a nuclear power station in South Korea. *AFX News, Stockholm*

Dam developers wear down bureaucrats' hostility to BOT

John Barham on the opposition to Build-Operate-Transfer schemes which delayed Turkey's Birecik project for almost a decade



Turkey's recent approval of its first Build-Operate-Transfer (BOT) project, the huge Birecik hydroelectric dam project on the Euphrates, was cause for celebration. The contractors, led by Germany's Philipp Holzmann and the bankers, headed by Chase Manhattan, had finally closed a deal that had taken a decade to negotiate.

Turkey pioneered BOTs in the 1980s as a way of financing large infrastructure projects with little direct cost to the government. Under the system, a developer builds a project, operates it long enough to earn a profit, then transfers it to the government.

However, bureaucratic opposition, technical complications, legal challenges and the hostility of politicians delayed progress for years. It took the looming threat of blackouts finally to overcome resistance.

Rapid urbanisation and population growth mean demand for electricity increases almost irrespective of the economy's erratic performance. Last year, demand rose 6 per cent, although the economy shrank by 6 per cent.

The government says generating capacity must grow by 246 per cent over the next 15 years. It plans to build 160 hydroelectric, thermal and nuclear power stations at a cost of about $50bn. BOT schemes are intended to play an important part in this.

Philipp Holzmann, heading an international consortium financed mainly by European government export credit agencies, will build Birecik. Construction should take five and a half years and cost DM2.3bn ($1.6bn) Birecik, with a capacity of 672MW, will be part of the government's Southeast Anatolia Project complex of 21 dams and irrigation systems costing an estimated $32bn.

Birecik should clear the way for about another 15 contracts languishing in the pipeline. The next to be approved should be a $715m water project for the city of Izmit.

Although BOT contracts sound simple, implementation is complex. Even in south-east Asia, where BOTs are popular, they have been plagued with problems. Pricing, regulation and the extent of state support a project should enjoy are all common problems.

All these difficulties are magnified in Turkey. The greatest is a clause in the constitution which requires the Danıştay administrative court to rule whether a project is essentially a concession or not. If so, it must then approve each such project on a case-by-case basis.

This court has proved very hostile to BOTs, forcing the government to rewrite its legislation. The Danıştay has grudgingly accepted 16 contracts, including Birecik and Izmit, but will retain jurisdiction over the projects for their full life – creating considerable uncertainty for their backers.

The powerful bureaucracy may also remain a problem. Even when civil servants do not actively oppose a project, they move very cautiously since they are held personally responsible for all decisions they make.

Still, legislation and approval procedures are becoming streamlined. The level of state involvement in future projects is being reduced, which should reduce delays. It is unlikely many projects will enjoy as much government support as Birecik, where the government guarantees a profit for the operators and assumes their debts in case of default.

However, UK brokers Wood Mackenzie says the government's investment plans are over-ambitious. Although it expects capacity to double to 2010, making Turkey Europe's fastest-growing market for power, it doubts there will be enough foreign capital available to back as many projects as the government would wish.

Rather than rushing to build more capacity, Turkey could manage its existing system more efficiently. About 40 per cent of state-owned generating capacity is idle for lack of parts or maintenance. ABB, the Swiss-Swedish power engineering group, reckons it would cost $100m to unblock these bottlenecks. Even simple repairs could boost generation by 10 per cent.

This is why manufacturing companies have started to build their own power plants, which now generate about 10 per cent of Turkey's power.

Privatisation could increase supply through better management, converting loss-making state utilities into profitable companies, allowing them to finance their own expansion. However, privatisation is still a long way off. The government has raised only $540m in privatisation revenues this year, one-tenth of its target.

However, one specialist warns that "no way can better management, BOTs or privatisation [provide enough] capacity by 2010." He expects the government to retain a central role in financing projects – in spite of its $70.59bn foreign debt and tight investment budget. The government plans to invest $3.0bn in 1996, a comparatively small figure that will probably be eroded by inflation.

The likeliest scenario is for continued muddling through. BOTs and other privately financed projects will gain greater prominence, there may be some progress in privatisation and Turkey will probably import more electricity.

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Gloomy outlook for jobless in booming South Africa

By Roger Matthews in Johannesburg

The South African economy is likely to enjoy its best year for more than a decade in 1996, but few will enjoy the benefits and unemployment will continue to rise.

This was the politically loaded message delivered yesterday by the South African Chamber of Business (Sacob), which represents more than 40,000 companies, in its forecast for the year ahead.

"The danger of jobless growth is real," said Mr Raymond Parsons, director general of Sacob. He forecast that even if the economy grew by 4 per cent in 1996, 1 per cent more than this year, this would create jobs for no more than 95,000 people out of the 350,000 who will be seeking work for the first time. This year only about 50,000 out of 350,000 are believed to have found work.

Official unemployment is put at more than 33 per cent, but the percentage of the black community without a formal job is closer to 50 per cent. A Sacob survey also released yesterday showed that only slightly more than half of employers expected to take on more unskilled workers next year, with prospects significantly worse in several regions, especially the politically troubled province of KwaZulu-Natal.

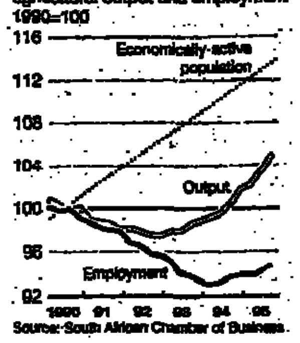
"A key characteristic of the current economic upturn has been that the benefit of the growth that has been experienced so far has been confined to a relatively small proportion of the population," said Mr Parsons. "This has negative implications for social stability, job creation and crime levels."

For those in work, Sacob is forecasting a further increase next year in real wages. It is expecting wage rates to increase by 8-9 per cent, but inflation to dip further to about 7 per cent.

All these forecasts assume a still favourable world economic climate, and that the government, led by the African National Congress, will maintain a balance between the need for faster economic growth, and its objective of securing a more equitable distribution of wealth. Sacob believes it is vital for the government to maintain strict fiscal discipline, and is looking for deeper spending cuts in the March budget.

South Africa

Relative performance of non-agricultural output and employment 1990=100



Source: South African Chamber of Business

This is likely to prove painful for the government which is already having to face the probability that it will fail to meet its target of reducing the budget deficit to 5.8 per cent of gross domestic product in the current financial year. Sacob economists said yesterday it would be damaging for the government's fiscal credibility if the budget deficit was above 6 per cent of GDP.

"There is a strong view within the business community that attempts to reduce the deficit should be accelerated," according to Sacob, which urged Mr Chris Liebenberg, the minister of finance, to set a target of 5 per cent of GDP for the next financial year.

This would in turn limit the government's capacity to create jobs in the public sector, and the business community had little advice to offer on what measures could be adopted in the short term to alleviate unemployment. Ministers, however, appear to be confident that the bulk of the electorate remains patient, and that the reconstruction and development programme will accelerate next year, bringing more basic services to the most deprived members of the community.

Israel to present new initiative to break deadlock in talks with Syria

By Julian Ozanne in Jerusalem

Israel, seeking to break a four-year deadlock in peace talks with Syria, is crafting a new negotiating strategy which it will present to US President Bill Clinton when Prime Minister Shimon Peres visits Washington early next week.

Central to the initiative is Israel's offer to Syria to move on from just talking about the complex security arrangements of a troop withdrawal from the Israeli occupied Golan Heights.

Israel wants to discuss all aspects of peace with Syria simultaneously including diplomatic, political and economic matters and the prospects for co-operation bilaterally and multilaterally in the event of a peace agreement.

Israel also wants to create a secret channel of negotiations similar to the Oslo talks which led to the breakthrough between Israel and the Palestinians.

The strategy has been the focus of a Middle East shuttle by Mr Dennis Ross, the US peace envoy, who has met President Hafez al-Assad of Syria and Mr Peres, in the past few days.

Foreign ministry officials said the initiative reflects Mr Peres' long-held view that Israel's successful experience in peace talks with Egypt, Jordan and Palestinians showed that the best results are achieved when there is a multi-track negotiating process which involves senior politicians rather than just military and government officials.

It is, however, by no means certain that the plan will lead to a breakthrough. Syria has consistently refused to consider a secret track of negotiations, rejected Israel's call to upgrade the level of the talks and has stuck to its demand to have negotiations restricted to security and held under US auspices.

On Tuesday Mr Ross said Mr Assad was "open and flexible" to the Israeli initiative.

The last round of security talks broke down in June over Israel's insistence on maintaining an early warning station on the Golan Heights, even after a withdrawal of Israeli troops.

Israel also demanded Syria cut its armed forces; demilitarise the area from the Golan Heights to the outskirts of Damascus and redeploy troops to other fronts. Syria rejected these demands as an infringement of its sovereignty.

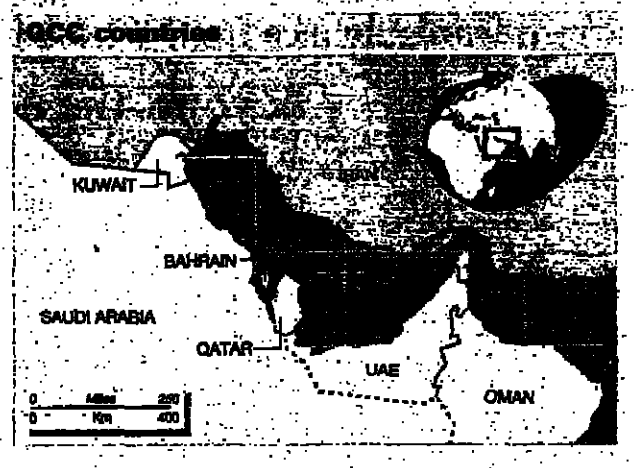
Syria subsequently insisted that Israel drop its demand for an early warning station as a virtual pre-requisite for resuscitating the talks. An alternative option Israel might accept is to position US forces on the Golan Heights but it is not certain Syria will see this as less of a violation of its sovereignty and it is also unclear whether the US Congress would approve such a move.

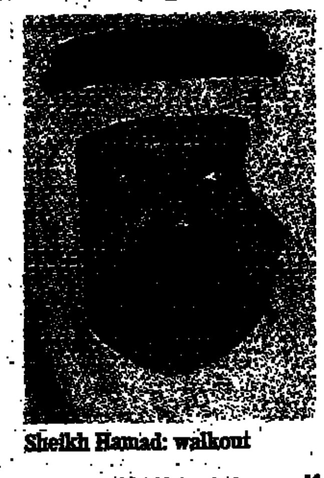
Mr Peres and Mr Clinton will discuss these issues next week together with Israel's view that a US package of incentives to Syria – including economic and military aid and Syria's removal from the US blacklist of countries sponsoring international terrorism – could help nudge Damascus towards concessions.

Qatar breaks ranks with GCC

Oil-rich Gulf state boycotts summit session after rows over policy

By Robin Allen in Dubai





Sheikh Hamad: walkout

Appearances of unity broke down yesterday among the six states of the Gulf Co-operation Council (GCC), which groups Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE), following Qatar's boycott of a final summit session. The GCC collectively owns more than 40 per cent of proven global oil reserves.

Despite frequent public disagreements in the past over regional issues, it was the first time in the 15-year history of the group that it failed to keep up appearances at the heads-of-state level.

The 16th GCC summit was also notable for the absence of Saudi Arabia's 73-year-old head of state and prime minister King Fahd Bin Abdul-Aziz, who is in a Riyadh hospital after reportedly suffering a "minor stroke" last week.

The ostensible reason for Qatar's dissatisfaction was the GCC's failure to support its nominee, Mr Abdul-Rahman al-Attiyah, for secretary-general for the next three-year term. Instead the group backed the Saudi candidate, Mr Jameel al-Hujilan, a Saudi national.

However, observers at the summit meeting, held in the Omani capital, Muscat, point out that Qatar's rift with its neighbours covers a wide range of foreign and defence issues, including border problems with its neighbours, and policy towards Iran, Iraq and Israel. These differences have existed for many years, but have until now been subordinated to the wider GCC interest of maintaining public unity.

The GCC final communique vowed jointly to combat terrorist plots and extremism. "No matter its source or base, all acts of sabotage will not affect GCC states or shake their stability," it said. The leaders also condemned Iraq's continued possession of weapons of mass destruction in defiance of the United Nations, blaming President Saddam Hussein for the continued suffering of the Iraqi people, with whom it expressed sympathy "in their current dilemma".

Qatar's walkout of the final session, the strained behaviour of Qatar's foreign minister Sheikh Hamad Bin Jassem al-Thani, and the premature departure from Oman of its ruler, Sheikh Hamad Bin Khalifah al-Thani, was a bombshell, said Gulf diplomats. One western diplomat commented: "It all happened at the last hour. It was wholly unexpected, unpredicted and unwelcome."

For many years Qatar's foreign policy has been marked by a series of initiatives uncharacteristic of the GCC, which normally "reacts rather than acts," as one seasoned observer put it.

Qatar has a population of only 500,000, 80 per cent of whom are foreigners. It possesses the third-largest single gas reservoir in the world, adjacent to Iran.

Its foreign policy has often been dictated by commercial priorities.

It broke ranks with its GCC neighbours by opening relations with Israel to facilitate gas sales. It has border disputes with both Bahrain and Saudi Arabia. It wants a more "pro-active" policy towards Iraq, instead of participating in the usual GCC's "reactive" policy.

Unlike some of its GCC neighbours, including Bahrain and Saudi Arabia, it allows the US to pre-position supplies. It is open in its insistence on maintaining good relations with Iran, which is occupying three Gulf islands claimed by the UAE.

Qatar gave a hint two weeks ago of what was to come when Sheikh Hamad made a "big scene" at a GCC foreign ministers' meeting when they refused to endorse Qatar's insistence that the next Middle East economic summit be held in Doha, Qatar's capital, rather than Cairo.

One western diplomat in Muscat said: "Qatar's lone-wolf attitude is more drama than substance. They have lost patience with what they regard as the GCC's refusal to take them seriously." Qatar's behaviour now is being compared to that of President Habib Bourguiba a decade ago when the Tunisian leader publicly rejected the Islamic tradition of fasting during Ramadan, and caused Tunisia to be temporarily dismissed from the Arab League.

However, western diplomats say Qatar's independent streak is not in its larger interest. "It belongs to the club of conservative monarchical states. These believe in patience, dialogue, and discretion. What Qatar is doing is the antithesis of these. It is not a lack of maturity; it is a lack of sophistication," said one.

"Their interests do not lie in going it alone. If they think they have US support, because of their open approach to Israel and their readiness to have US supplies, they are wrong. The US's most important perceived regional ally is Saudi Arabia; and the Qataris are publicly embarrassing Saudi Arabia."

Egypt poll clashes leave 12 dead

By James Whittington in Cairo

Egypt's controversial parliamentary elections were marred by more confusion and violence as they went into the second round of voting yesterday.

At least 12 people were killed in clashes outside polling stations and police used tear gas to disperse hostile crowds in a number of constituencies. Allegations of vote rigging and intimidation continued.

Some 613 candidates, from the ruling National Democratic party, opposition groups and independents, stood for 307 out of 444 parliamentary seats.

The NDP won a landslide victory in the first round last week by taking 124 out of 137 seats.

Egypt's judiciary has added a new twist to the widely derided democratic façade.

In a surprising ruling on the eve of yesterday's poll, a number of administrative courts suspended results from nearly half the constituencies decided in the first round because of pending law suits alleging fraud.

This could lead to a wave of prosecutions of hopeful parliamentary candidates and almost certainly a further round of voting.

Arrest is part of a tale of the Japanese 'bubble'

Yamaguchi's detention goes beyond the alleged misdemeanours of one man, writes **Gerard Baker**

In the popular Japanese press, he is known as the "crevice filler". The unflattering appellation refers not merely to his diminutive physical stature, but to a political career that suggests a knack for sliding into small openings whenever they appear.

But the hole in which Mr Toshio Yamaguchi now finds himself is not one he is likely to find to his liking. Yesterday, after months of investigation, the former labour minister and leading light in the opposition New Frontier party was arrested after fellow members of parliament agreed to waive his parliamentary immunity from prosecution. It was only the second arrest of a sitting member of parliament in the last 28 years.

For most of the year he has been at the centre of a swirl of allegations about his involvement in an ever-expanding financial scandal.

But the significance of yesterday's move goes far beyond the alleged misdemeanours of one maverick politician. The tale in which Mr Yamaguchi plays a central role is a near-perfect allegory of the last decade of Japan's economic and financial ferment. It is a story of intrigue between politicians, businessmen and bureaucrats in an era of almost manic personal greed. And as the case unfolds, the legal trawl, which has already captured a number of leading businessmen and politicians, could spread to some hitherto apparently untouchable characters.

The accusations against Mr Yamaguchi are of breach of trust. It is alleged that he used his connections with the man at the heart of the matter, Mr Harunori Takahashi, one of Japan's most ostentatiously successful businessmen, to secure Y7.2bn (£17.3m) in illegal loans for members of his family.

Mr Takahashi was the nonpareil of Japanese bubble speculators. He began in the early 1980s as a golf course developer, snapping up properties in the years of surging land prices and turning them into some of the most glittering real estate prizes in the world. By the end of the 1980s he had properties in dozens of locations and had earned himself the soubriquet "The Resort King of the Pacific".

But when interest rates began to rise after 1989, and land prices began their precipitous descent, things started to go wrong for Mr Takahashi. His bankers, only too willing to lend in the good times, quickly pulled back. Ever resourceful, however, he had an alternative to hand – since 1985 he had been running his own bank, a hitherto unheard of credit co-operative called Tokyo Kyowa. When the money from the main banks ran out, he simply used Tokyo Kyowa to raise funds to continue to finance his expansionary ambitions. This unorthodox practice apparently never came to the attention of regulators.

But as the collapse of asset prices accelerated in 1993 and 1994, the sums became more difficult to reconcile. Eventually last December the bank – and a sister institution, Anzen credit co-operative – went under.

When bank inspectors and investigators moved in they discovered that up to 80 per cent of Tokyo Kyowa's loans were non-performing, a good number of them to some of Mr Takahashi's own companies. He stands charged with breach of trust.

How he managed to escape detection for so long reveals much about the link between politics and business in the "bubble" period. For Mr Takahashi's success was not down solely to his entrepreneurial skills. In Japan at the time, the path to real riches lay via influential friends in high places, and Mr Takahashi knew how to obtain them. Politicians and bureaucrats were entertained lavishly to a never-ending succession of fine dinners and other delights and the inevitable golfing holidays.

Mr Yamaguchi, who had enjoyed Mr Takahashi's hospitality on several occasions, is alleged to have arranged loans totalling more than Y2.7bn for members of his family. The loans were secured, it is claimed, on worthless property, and were then used to repay the debts of companies related to the Yamaguchis.

The claims are especially embarrassing because Mr Yamaguchi was until earlier this year a leading member of the New Frontier party, the main opposition party, which is committed to reforming Japan's corrupt political system.

But with Mr Yamaguchi now in the hands of the authorities, attention is already turning to who in the web of money politics might be next.

Though other politicians are already under investigation, the most intriguing possibilities centre on finance ministry bureaucrats. For all its current woes, the ministry remains at the very pinnacle of the Japanese power structure. Unlike other departments, it has hitherto managed to maintain a relatively clean reputation. No MoF official has ever been charged with corruption.

But the activities of some officials are now under the closest scrutiny. Earlier this year Mr Jiro Saito, the top finance ministry official, stepped down after criticism of links between some of his staff and Mr Takahashi that were considered too close.

Now investigators are looking at what some of those officials did. The biggest name is that of Mr Yoshio Nakajima. Mr Nakajima was a former deputy director general of the ministry's all-powerful budget bureau. But in August he too resigned after revelations that he had received a loan from a colleague of Mr Takahashi's to finance his part-time health tonic business, an unusual side pursuit for a bureaucrat. Investigators are trying to establish what other relationships there might have been between Mr Nakajima and others.

Faced with the prospect of a long prison term, Mr Takahashi has so far shown no inclination to be discreet about his contacts. A worried buzz is now circulating in the corridors of some of Japan's most august institutions as speculation grows about how many other people shared crevices with Mr Yamaguchi and the gang.

Toshio Yamaguchi wiith the press outside parliament before his arrest Reuter

Suharto combines industry and trade ministries

By Manuela Saragosa in Jakarta

Indonesia's President Suharto has merged the country's trade and industry ministries into a single entity, dropping one minister from his cabinet, in what amounts to his first mid-term cabinet reshuffle during his 30-year rule.

The reshuffle is being viewed as a reaction to Indonesia registering its first trade deficit in four years in June this year and a lack of co-ordination among ministers in policy-making. "It should make implementing economic policy more efficient," one prominent Indonesian economist said.

Indonesia's slow growth in non-oil exports has been a concern for the government, which has said it will announce a fresh economic deregulation package as early as next month.

The reshuffle, effective immediately, leaves key ministers such as Mr Habibie, minister for research and technology, Mr Mar'ie Muhammad, finance minister, and Mr Ali Alatas, foreign minister, in place.

Mr Tungky Ariwibowo, previously industry minister, will head the new industry and trade body while the previous trade minister, Mr Yudono Satrio Budiarjo, not considered a key player in Indonesia's politics, has been dropped from the cabinet. Mr Hartato, co-ordinating minister for trade and industry, was appointed co-ordinating minister for production and distribution, a position of equal rank in Indonesia's civil service.

His previous brief has in effect been eliminated and his new role gives him control over micro-economic affairs.

Mr Hartato and Mr Tungky are both known to favour economic deregulation. There is speculation Mr Hartato's new position could signal the opening up of the distribution sector which has been closed to foreign investment.

Observers say the reshuffle indicates the president is losing patience with splits among his 40-member cabinet. Earlier this year the investment minister contradicted statements by Mr Hartato on the government's policy on conglomerates. In a similar vein, Mr Habibie clashed at the beginning of this year with Mr Muhammad about export credits for high-tech industries.

A government statement said that, in future, daily co-ordination meetings would be held between the various ministries.

The merging of trade and industry responsibilities is seen as a sign the president wants the cabinet to address worries about sluggish growth in non-oil exports and rapidly increasing imports.

Indonesia has appointed a senior career diplomat as its ambassador to Australia following the forced withdrawal of a proposed military envoy earlier this year, report Manuela Saragosa in Jakarta and Nikki Tait in Melbourne. Indonesia's ministry of foreign affairs said Australia had accepted the appointment of Mr Wirjono Sastrohandojo, who has been ambassador in France and Austria, as the new envoy to Canberra.

"It is pleasing the Indonesian government has appointed an ambassador of such calibre," Senator Gareth Evans, Australia's foreign minister, said.

Observers in Jakarta note Mr Wirjono was chosen from a shortlist compiled by Indonesia's minister for foreign affairs, Mr Ali Alatas, rather than from the military's shortlist. The previous proposed envoy, Lt Gen Herman Mantiri, was the military's choice.

Jakarta was forced to leave the Canberra post vacant after strong Australian opposition to Gen Mantiri's appointment in July this year. The general had described the army's response to the Dili massacre in 1991, when 100-200 unarmed East Timorese were shot dead by Indonesian troops, as "quite proper".

Today's 20th anniversary of Indonesia's invasion of East Timor has prompted extensive analysis in the Australian press. The United Nations recognises Portugal, the former colonial power, as legal authority in East Timor.

Thailand may end mobile telephone duopoly

By Ted Bardacke in Bangkok

Thailand's communications ministry would seek to end the country's mobile phone duopoly and open the market to new players as part of a telecommunications master plan to be presented to the Thai cabinet by January, a senior official said yesterday.

"As soon as cabinet approves the master plan, we will enter negotiations with the two companies to eliminate the exclusivity clauses in their contracts," said Mr Sombat Uthaisang, deputy minister for communications. "There is a good chance that within three or four months we will be able to open this area to another two operators."

Mobile phone services, with about 1.2m subscribers, are dominated by two companies, Advanced Information Services and Total Access Communications, granted exclusive concessions in return for revenue sharing-agreements with the state-owned Telephone Organisation of Thailand (TOT).

Attempts by Gen Chavalit Yongchaiyudh, deputy prime minister (seen by many as a challenger for the prime minister's office and whose New Aspiration party controls the communications ministry), to gain political popularity have led to pressure on the two companies to reduce call rates and monthly service charges, already among the lowest in the world.

So far the companies have refused, saying the government must lower its revenue take, which would then be passed on to customers. The government has resisted, saying TOT needs the money to invest in providing basic telephone services to rural areas. Lowering the monthly fee by Bt100 (£2.60) to Bt400 would cost the government Bt1.44bn a year, according to the communications ministry.

The solution, said Mr Sombat, was to convert the concessions into licences and open the market to increased competition. He played down a recent highly publicised attempt by TOT to start a new mobile network that would be subsidised by revenue from the two private companies, saying the government agency had other investment priorities.

But Mr Sombat was clear TOT had a right to operate such a network and such a right could be exercised if the private companies did not agree to end their exclusivity clauses. TOT has a small and outdated existing network.

Mr Sombat said the crux of the negotiations with the private companies would be to determine the net present value to the government of the exclusive concessions. That amount would be paid by the companies to the government in three ways: a reduction in prices to consumers, equity stakes for TOT, and a licence fee. The eventual licence fee would be the same for newcomers.

The Thai government will have an additional incentive to offer the companies. Mr Sombat said that as part of the new master plan, the country would be divided up into six zones for fixed-line services. It is expected the two companies will be offered one or two of these zones so that they may enter the fixed-line business.

Telecommunications services will be fully liberalised by October 1998, except for domestic and international long-distance services.

See International Companies News

ASIA-PACIFIC NEWS DIGEST

Roh trial set for December 18

The trial involving former South Korean President Roh Tae-woo and seven business leaders will begin on December 18, prosecutors said yesterday. The seven executives to be tried include the chairmen of the Samsung, Daewoo, Dong-ah, Dongbu, Jinro, Daelim and Danho business groups. They are expected to receive suspended jail sentences, if convicted.

Mr Roh is accused of accepting $370m (£240m) in bribes, mostly from the country's leading industrial groups, in return for government contracts and other state favours.

Former President Chun Doo-hwan, arrested on Sunday for his leadership of a 1979 military coup, refused to eat for a fourth day in protest at his imprisonment. *John Burton, Seoul*

■ Prosecutors yesterday grilled Mr Lee Sang-hoon, a former defence minister, on allegations that General Dynamics of the US paid Mr Roh a kickback in a $5.2bn contract for F-16 fighter jets. The company has denied the allegations. *AP, Seoul*

■ The prosecution yesterday demanded a 20-year prison term for the owner of a Seoul shopping mall which collapsed in June, killing 501 people. Mr Lee Joon, 73, is charged with negligence. *AP, Seoul*

See Editorial Comment

China experiences tax shortfall

China has acknowledged it faces a serious shortfall in its collection of valued-added and consumption taxes, and has appealed for redoubled efforts by local authorities to collect unpaid taxes and warned of serious budgetary consequences.

"If the collection rate of the two taxes falls behind the goal, the central treasury will not be able to balance this year's budget," a finance ministry official said. "Worse still, there will not be enough money to finance the projects which have an important bearing on the overall economy." The ministry reported that value-added tax and consumption tax collection was 6 per cent below target at the end of October. It blamed the indifference of local authorities. The two taxes are the main source of revenue for the central treasury and are shared with the provinces. *Tony Walker, Beijing*

Police 'fire on boom town riot'

Rioting in a south Chinese boom town adjacent to Hong Kong left four dead, Hong Kong newspapers said yesterday. Victims told reporters police fired automatic weapons to quell clashes between villagers and migrant workers in the Shenzhen Special Economic Zone on Sunday.

One man was beaten to death and two, including a 17-year-old bystander, were shot dead, Chinese language dailies said. The fourth fatality was identified as a policemen. At least 100 people were injured, 10 of them seriously.

The Oriental Daily News said the clash started when a villager drove a motorcycle over a freshly tarred road laid by migrant workers, most of them from China's impoverished south-east. This quickly escalated into a full-scale brawl, with rioters ransacking the local Communist party headquarters. Police counter-attacked with a large force of anti-riot officers, including some who opened fire with automatic weapons, it added. *Reuter, Hong Kong*

French keep Greenpeace vessels

A French court in Tahiti yesterday refused to hand back the Greenpeace ships, speedboats and helicopter seized during protests at France's nuclear test site in the South Pacific. Greenpeace International filed an immediate appeal against the decision, arguing France has no right to keep the vessels and helicopter under French law.

The court ruled the seized vessels may be needed as evidence in any prosecution, and should be held in French custody.

Mr Duncan Currie, a Greenpeace lawyer, said other court action had been begun in California against the French state and a number of officials for "damages for kidnapping, false imprisonment, assault and battery and interference with civil liberties" of US citizens caught up in the seizures and arrests at Mururoa Atoll. *AP, Papeete*

■ France will end its nuclear tests in the South Pacific before the end of February, Mr Charles Millon, defence minister, said. This would be "long before the date initially announced of May 31 1996," he told the Senate. *Reuter, Paris*

Swedes probe Thai bribery claim

Sweden yesterday launched an inquiry into allegations that Kockums, a subsidiary of the defence group Celsius, had offered bribes to members of the Thai government in a bid to secure a SKr2bn (£200m) order for two submarines. Kockums welcomed the inquiry by the General Inspectorate of Military Equipment – a government body that scrutinises weapons exports – saying its findings would support the company's strenuous denial of the accusations.

Kockums is facing tough competition for the contract from a consortium led by Howaldtswerke Deutsche Werft and Thyssen Nordseewerke, and it fears the bad publicity could damage its chances. It says it also lost a Pakistani contract last year because it was wrongfully accused of offering bribes.

The allegations have caused uproar in Thailand where the poor image of the government has led the press and public to give credence to the charges despite vigorous government denials. The opposition Democrat party has also alleged that it was approached by Kockums. *Christopher Brown-Humes, Stockholm, and Ted Bardacke, Bangkok*

Measures designed to help industry compete in higher technology

Australia gives boost to economic reform with A$495m innovation fund

By Nikki Tait in Melbourne

Australia's federal government is to spend A$495m (£239m) over the next four years on measures designed to encourage the nation's industry to be more innovative and enhance its ability to compete internationally in higher technology value-added sectors.

The long-awaited "innovation statement" was released by prime minister Paul Keating in Melbourne yesterday and has particular significance because of an impending federal election, due early next year. The Labor government needs to persuade the electorate that its push for economic reform is not losing steam after 13 years in power. Yesterday's package is likely to be cited as evidence.

"What we are about today is good public policy and good government," said Mr Keating. "The policies we announced today are not the first word, and certainly they will not be last. They represent steps along the road of continuous improvement".

The contents of yesterday's package include relaxation of rules to let banks make equity investments in small to medium-sized companies, and encouragement for a second-tier stock market, which could also improve capital access for smaller companies.

Keating: encouragement for second-tier stock market

The Australian Stock Exchange welcomed the latter move and National Australia Bank, the largest commercial bank, immediately announced it would allocate up to A$300m for such equity investments.

The government will meanwhile spend A$62.4m on seven "visionary" science projects, ranging from seismic research to gene sequencing. Other initiatives include a benchmarking information service, to encourage world "best practice", schemes to speed use of information technology, and an extension to the network of technology support centres.

The notion of trying to develop Australia as a "clever country", particularly in the context of the Asia-Pacific region, has been on the government's agenda for some time. But, despite the growth in value-added exports, Australia's trade position still heavily depends on commodity-type products.

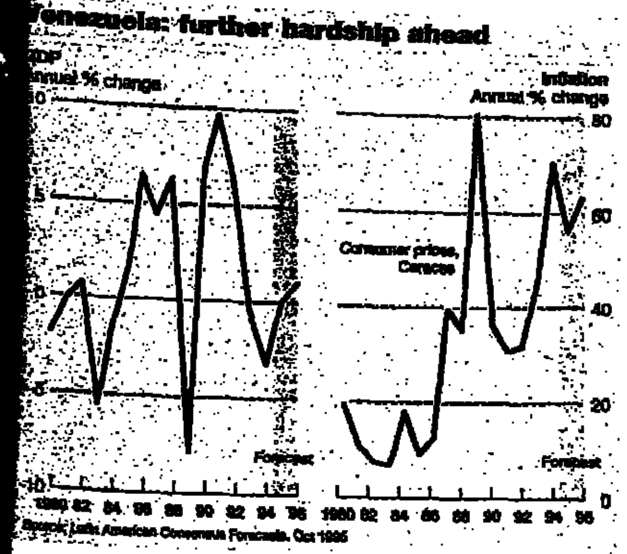
Meanwhile, high levels of public-sector research and development expenditure have offset low private-sector spending, but raised the problem of "commercialisation". "There's often a lot of high-quality research in the public sector but we rarely get it on the market," Mr Keating said. Yesterday's measures include provision for a new "research commercialisation service".

The statement was given a warm, but cautious reception by industry leaders. The Australian Chamber of Commerce and Industry said the measures were "an indication of the complex challenges to enhance innovation in Australia".

Economists paid more attention to the costs of the programme. The government claims that by tightening up on abuse of its existing 150 per cent R&D allowance scheme, to be retained, and reducing tariff concessions, it will raise A$818.5m over the four-year period.

The surplus of these revenue measures over the costs of the innovation programme would then be used to fund other impending initiatives; a housing statement, for example, is scheduled for release next week.

"Today's developments are neutral for the budget bottom-line," analysts at Bankers Trust said; the government's chances of reaching a budget surplus in 1995-96 still depended largely on how it proceeds with its asset sale programme, they added..



Overvalued Venezuela leaks capital

Exchange rate problems compound deficit woes, writes Stephen Fidler

Venezuelans, many of whom have never been abroad before, have been flying all over the world this year. Courtesy of their government's exchange rate policy, they have been holidaymaking in huge numbers in Paris, Madrid and elsewhere.

An overvalued fixed exchange rate and an ineffective *exchange control regime* enabled tourists to buy dollars – up to $4,000 for a trip to Europe – from the government at the official rate of 170 bolivars. These could then be sold in the black market at a rate of 250 or more. With the instant profit in their pockets, travellers have been able to buy their air tickets and finance their trips.

One New York public relations executive says she knows many Venezuelans who have made frequent visits to friends and lovers in the US for free. "The Venezuelan government has been subsidising love," she said.

After Venezuelans applied for and received $3.2bn of travel *dollars in the 15 months* since exchange controls were introduced in June 1994, the *loophole was closed. Others* are still open, however. Imports bought with cheap dollars are still flooding into Puerto Caballo and being smuggled over the border to Colombia.

Venezuela's finance minister, Mr Luis Matos Azócar, admits there has been abuse of the exchange rate regime. And, while he will not say publicly that the policy has been a costly mistake, he agrees it has gone on for too long and has to be changed. Exchange controls will be lifted in the first quarter of next year, he says, and there will be a shift to a unified market-determined *exchange rate.*

There will also, inevitably, be a devaluation – whether or not negotiations under way with the International Monetary Fund for a standby loan of up to $3bn are culminated. Prices have risen more than 60 per cent since the exchange rate was fixed, hammering domestic manufacturers that have found it impossible to compete against cheap imports.

Despite high imports, Venezuela still runs big trade and *current account surpluses. And* despite these surpluses, it has been losing foreign exchange *reserves* at up to $100m to $200m a week. The reason is capital flight: with interest rates lower than inflation and a devaluation in the offing, there are few incentives to hold bolivars.

The decline of reserves has worried the central bank, which believes that, having fallen below $9bn, gross reserves are down to the minimum necessary to cover contingencies. Foreign exchange is now so tight that the government has almost run out of dollars to dole out at the official exchange rate.

According to Mr Carlos Hernández, a director of the central bank, one of the main problems is "the size and the structure of the fiscal deficit". The deficit has been enlarged *by last year's crisis* in which banks owning half of Venezuelan deposits collapsed, which *has so far cost the government* an estimated 11 per cent of gross domestic product.

According to economists at Chemical Bank in New York, this year's deficit will be almost 13 per cent of GDP. All but 5.9 percentage points, they say, will be financed by increasing debt arrears and the rest through debt issues and printing money.

Arrears with the creditor governments of the Paris Club have built up to several hundred million dollars, according *to diplomats.*

The shortage of government funds has been behind an *increase in oil output, to which* the government will not officially admit, but which has *angered* its *partners* in the Organisation of Petroleum Exporting Countries. This expansion of oil production has offset a decline in non-oil output to leave the economy about flat this year.

But further increases on this scale are not possible next year, providing one more reason why current economic policies are widely felt to be unsustainable. "We expect the government to do the right thing because it can't just do nothing," said Mr Henrique *Machado, president of Sivensa,* a steel company.

Mr Matos, the finance minis*ter, said the government had* identified ways to rein in the budget deficit to 3 per cent of GDP next year – before privatisations – and was close to agreement with the fund on this aspect of the country's programme. Officials have also said that the deficit would be reduced to zero in two years.

Whether an IMF deal is reached or not, further economic hardships are ahead after three years of recession. Devaluation will bring in its train a sharp rise in inflation. *Most forecasters* believe growth will be negative and unemployment – officially at 11 per cent but possibly double that – will increase.

"Next year will be hard, whatever happens. But at least if there is an IMF deal there is a prospect that the imbalances in the economy are being corrected so that things can improve in the future," said one former Venezuelan official. "*If not,* they are only going to go from bad to worse."

Cardoso shores up radar project

Angus Foster in São Paulo

...zil's president Fernando ...rique Cardoso yesterday ...ffirmed *his support for* a ...bn radar project in the ...azon, but stressed that the ...l *go-ahead for the plans* ...ed with the Senate, where ...ncing still needs approval.

...r *Cardoso* held an extraor...ry meeting of the national ...nce council in an effort to ...e up political *support* for ...project, which has been hit ...corruption allegations and ...icism from government ...onents.

...e council stressed the ...portance and urgency" of ...project awarded last year ...ytheon of the US.

Known by the acronym *Sivam, it aims to install radars* and sensors in the Brazilian Amazon to provide air traffic *control and environmental* monitoring.

It is one of the world's largest environmental projects, and would provide Brazil with much better information to combat environmental damage and drug trafficking.

But the project has been dogged by controversy and Raytheon's original Brazilian partner was disqualified earlier this year amid tax evasion allegations. Last month three members of Mr Cardoso's government resigned in an influence-peddling scandal indirectly linked to the project.

US leading indicators index drops sharply

By Michael Prowse in Washington

The official index of US leading indicators dropped sharply in October, prompting renewed speculation that the Federal Reserve may cut short-term interest rates *later* this month.

The Commerce Department said the index – designed to predict business cycle troughs and peaks – fell 0.5 per cent, more than expected. The fall *mainly reflected an unusually* large drop in materials prices, another sign of subdued infla*tionary pressure. The leading* index has fallen in seven of the past 10 months.

Separately, the Fed released its latest "beige book" assessment of regional busines conditions. This pointed to slower growth but gave no hint of a sharp contraction of activity.

The economy was *expanding* "but at the somewhat slower pace reported in the last beige book", *the Fed said. Car sales* were down but there were signs of a pick up in retail *spending last month after* weakness in October.

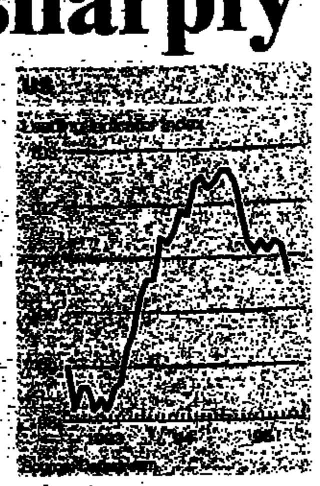
Construction spending was *also stronger than expected* with expenditure reported up 2.6 per cent between September and October.

Yesterday's data follow a series of mostly weak figures, including higher *claims* for unemployment insurance and evidence of retrenchment in *manufacturing. But econo*mists disagree on the extent of economic weakness – and the *Fed's likely response. Some* expect the Fed to signal a quarter point cut in short-term *interest rates to 5.5 per cent at* its policy meeting on December 19, even if Congress and the White House have not reached a budget accord. If a deal is reached, they say larger rate cuts are possible.

Mr David Littmann, chief economist at Comerica Bank in *Detroit, said the economy,* was skirting the edge of recession. Next year was likely to see "at *least* one negative quarter". Bond yields had fallen sharply in response to the deteriorating *economic outlook* and the Fed now needed to catch up by lowering rates by half a point.

*Mr Ned Riley, chief invest*ment officer at the Bank of Boston, predicted a "growth *recession" next year* "*unless* we get a lot of stimulus from the Fed". Others remain more sanguine. Last week the Organisation for Economic Co-operation and Development *predicted healthy* growth next year and warned the Fed not to take risks with inflation by lowering interest rates.

"The economy is not collapsing and it would be premature *to cut rates sharply," said Mr* Stephen Roach, chief economist at Morgan Stanley in New *York. The Fed would not cut* rates without a budget deal and then only by a quarter *point, he predicted.*



CNN's global TV news faces a hungry pack

By Tony Jackson in New York

US television giants are queueing to launch a 24-hour television news service to rival Mr Ted Turner's CNN.

Mr Rupert Murdoch said last week his News International would set up a global news service while this week ABC, the US TV network, said it too would start a 24-hour news service, first in the US and then *internationally.*

Another TV network, NBC, responded with a reminder that it had publicly committed itself to such a service almost a year ago. Both Mr Murdoch and ABC, it said, had left the timing and distribution of their proposed services very vague. Some time next year it would release its own detailed plans spelling out timing, distribution and content.

While the idea is not new, the timing of the latest announcements is no coincidence. CNN, along with the rest of Mr Turner's empire, is being sold to the media giant Time Warner for $7.5bn. Mr Murdoch had hoped to buy *CNN himself. Now that it has* gone to another suitor, he is free to compete with it.

At the same time, ABC's owner, Capital Cities/ABC, is being sold to Disney for $19bn. Disney aims at global television coverage through a combination of its own Disney channel and ESPN, the sports channel owned by Capital Cities/ABC. A global news channel seems a natural next step.

Will the market bear so many competitors? CNN is in an attractive position, with profits of around $200m last year on revenues of about $800m.

But it is also deeply entrenched, in terms both of its news-gathering network around the world and its foothold with US cable operators.

The cable industry is also suffering from a shortage of *channel capacity* but this is likely to increase as a result of new technology and legislation passing through Congress. Telephone companies will be allowed to compete directly with cable companies by setting up their own cable networks.

In addition, new forms of broadcasting such as wireless cable are in the offing.

CNN's position may also become more vulnerable as *a* result of its takeover by Time Warner. Since the mid-1980s, a consortium of leading US cable TV companies has held a stake in Turner Broadcasting. This has given them an incentive to carry CNN's *programming.*

But Time Warner is the second biggest US cable operator. Smaller operators may now prove less ready to take a news service from one of their main rivals, and more receptive to new entrants.

The final question is how the new services will stack up against CNN in terms of quality.

Mr Murdoch is the king of global TV in terms of distribution, but his US news operation is modest in scope. ABC has nine news bureaux outside the US, but has little direct experience of international distribution.

When Mr Turner was told of Mr *Murdoch's plans last week, he said he* would "squash Rupert like a bug". Until his rivals' plans are clearer, such unconcern is perhaps justified.

NEWS: UK

Peugeot to invest heavily at English factory

By Haig Simonian, Motor Industry Correspondent

Peugeot Talbot, the UK car maker owned by Peugeot-Citröen of France, yesterday confirmed that it expected to receive substantial new investment next year in recognition of productivity gains at its Ryton factory in the English Midlands.

Mr Richard Parham, Peugeot Talbot's managing director, said: "Although we are confident Ryton will receive future investment, the exact amount and timing – and for which model – have yet to be discussed and agreed with our parent company".

Many industry observers believe Ryton will build the new 205 – almost certainly to be called the 206 – in spite of Peugeot-Citröen's refusal to comment. The UK subsidiary denied that Peugeot-Citröen had agreed to build a successor to the Peugeot 205 hatchback alongside the Peugeot 306 range now made at Ryton.

Speculation about the introduction of a second UK-built car has arisen after the disclosure that Ryton may take an unusually long summer break next year. Car manufacturers commonly use the summer shutdown for essential maintenance work or big investments.

The French group has not yet indicated whether it intends to replace the 205, one of the most popular "superminis" built in Europe. However, it is widely expected that a successor model will be introduced to plug the gap between the compact 106 and the bigger 306 range. Analysts expect the new model to be launched in late 1997 or early 1998.

A Peugeot-Citröen official declined to comment on the whether the 205, which is still in limited production in Spain, would be replaced or where it might be built. The group, which has a number of factories in France and Spain, has like other leading motor manufacturers suffered from the severe overcapacity in the European car market and has tried to rationalise output.

However, the outlook for Ryton, which once seemed destined for closure, has brightened because of a steady improvement in productivity. Output over the past 18 months has climbed to 2,500 cars a week from 1,600, while the workforce has fallen by 10 per cent to 2,500 over the same period.

Higher productivity helped Peugeot Talbot to make a profit of about £9m ($13.86m) last year, although the company expects its earnings in 1995 to be much lower because of the tough UK car market.

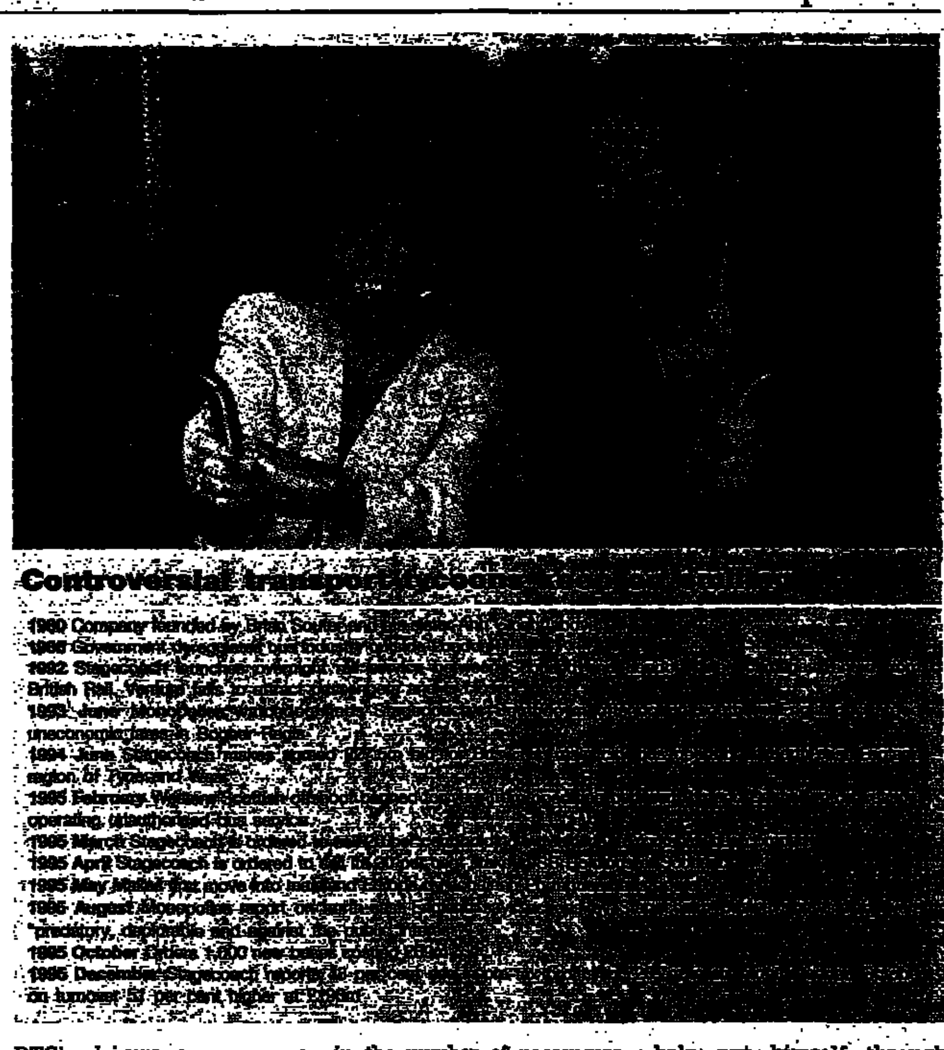
Ryton, which recently moved to a "double day" shift, is still producing well below capacity. Peugeot Talbot expects to make about 80,000 cars there this year compared with a potential ceiling of 120,000.

Ryton's peak years under Peugeot-Citröen came in the late 1980s, when annual production reached a peak of 118,000 under a two model strategy. However, output fell sharply in the early 1990s as production was transferred to France to maintain volume at Peugeot-Citrön's factories in France.

Privatised industries Successful bidder has faced criticism on competition

Tough bus bosses to buy a railway

By Charles Batchelor, Transport Correspondent



Mr Brian Souter, scourge of the bus industry and *bète noire* of the competition authorities, is poised to get his hands on a chunk of the privatised railway network. If his critics are to be believed, his arrival in the rail industry will set off a round of cost-cutting, fare reductions and cuts in services.

His Stagecoach, Britain's most aggressive bus company, has emerged as favoured bidder for South West Trains, one of the first three franchises to be sold under privatisation of the national network.

Stagecoach was earlier thought to have been eliminated from the bidding for SWT in favour of the management/employee buy-out team, but it is now the favoured bidder. Announcements on the winners of bids for the first three franchises to be sold, including also Great Western and London, Tilbury & Southend, are expected within the next two weeks. The other two franchises are both expected to go their managements.

In the 15 years since Mr Souter and his elder sister Ann Gloag set up Stagecoach, the company has been the subject of more than 20 competition investigations and has received six adverse decisions.

In one of the most stinging rebukes delivered by the Monopolies and Mergers Commission the actions of Busways, a Stagecoach subsidiary, were described last August as "predatory, deplorable and against the public interest".

This was prompted by Busways' attempt to acquire Darlington Transport (DTC), the town's municipal bus company, a year before. When it became clear that Busways was not the preferred bidder for DTC, Busways recruited DTC's drivers on generous terms and ran free services on all its routes. The rival bidder withdrew and DTC went into liquidation.

As several small bus operators told a House of Commons investigation into the bus industry earlier this year, the prospect of Stagecoach deciding to contest a town was enough to fill the toughest managers with dread.

But while the attention of the public, and of rival bus operators, has focused on Stagecoach's appetite for acquisitions, the company itself has been keen to emphasise that its growth has come as much from providing services the customer wants.

The bus industry has lived with expectations of a continuing 3 per cent annual decline in the number of passengers. But Stagecoach and a small number of other operators have found that new buses, the careful planning of routes, and co-operation with local authorities over bus lanes can reverse this trend.

This combination of organic growth and acquisitions has made Stagecoach into the largest UK bus operator with 6,500 vehicles and a 13 per cent share of the UK market. Mr Souter's 23 per cent share in Stagecoach is worth around £70m ($108m).

He can look back on a long-term family involvement in the bus industry. His father was a bus conductor for 40 years – working for a company subsequently acquired by Stagecoach – and Mr Souter himself worked on the buses to help put himself through Strathclyde University. "Some people can paint or have a great interest in Rembrandts," he said on one occasion. "I've got a natural gift for buses, a specialist skill."

Ruthless though he is in business, Mr Souter says he is charitable in his personal life. He is an evangelical Christian – a member of his local Church of Nazarene – who neither drinks nor smokes.

Despite his frequent run-ins with the competition authorities he remains unabashed. He described the actions of the MMC as "shocking". "They ignored empirical evidence of lower fares and increased journeys supplied by us and relied instead on anecdotal evidence from small operators," he said.

Minister attacks water company chiefs

A minister appeared yesterday to encourage Yorkshire Water shareholders to act against its directors and senior managers over failures in the company's supply to customers, Robert Shrimsley writes at Westminster.

Mr Richard Page, minister responsible for small businesses, made his comments in the House of Commons as he came under fire from both sides over Yorkshire Water. His onslaught began when a Labour MP attacked Yorkshire Water's suggestion in the drought-ridden summer that companies might relocate outside the county of West Yorkshire as "one of the dafter ideas to come from the unfunny comedians". The MP was referring to a letter sent to West Yorkshire businesses which offered the idea that those able to shift production to a site outside the drought-affected area might do so.

Mr Page clearly shared the Labour MP's view of this, for he began his reply by saying: "I have been in this house long enough not to try to defend the indefensible". But Mr Page's strongest words came when a Conservative MP suggested that, rather than business relocating, "it is some of the managers and directors of Yorkshire Water who should find employment somewhere else, perhaps running a retirement home". Mr Page said: "I agree that perhaps the shareholders of Yorkshire Water may wish to consider other matters within the company in the fullness of time."

"We strongly dispute any allegation of mismanagement", said the company.

Tories head for further rift on Europe

By Kevin Brown, Chief Political Correspondent

The governing Conservative party's pro-European Members of the European Parliament will today challenge the government's increasingly sceptical approach to the European Union with a series of policy papers calling for a substantial move towards integration.

One of the papers, written by Sir Jack Stewart Clark, the group's spokesman on civil liberties, calls for tough new powers for the EU ombudsman, and a European consular service to represent EU citizens in third countries.

The group's decision to publish the papers reflects a deep rift between most Conservative MEPs and Mr John Major's government, which has sought to bridge divisions among MPs at Westminster by ruling out further integration.

Eurosceptic MPs were outraged by papers published in the summer, which urged greater powers for the European parliament and suggested the transfer of immigration and border controls from national governments to the EU. The papers released today are described as personal contributions to the debate over the government's approach to the intergovernmental conference next year, which will review the Maastricht treaty on integration. But the co-ordinated publication of a group of pro-European papers is intended to reinforce recent attempts by leading MEPs to challenge what most see as a dangerous drift towards isolationism.

Eurosceptics are likely to be particularly angered by Sir Jack's paper, which adopts the language of the Citizens' Charter, launched four years ago by Mr Major, to promote an increase in EU integration.

It says that restrictions on the voting rights of EU citizens living outside their own country should be ended, allowing citizens of all 14 other member countries to vote in UK parliamentary elections.

The ombudsman, whose role was created by the Maastricht Treaty, should be given "real" powers, it says, with the authority to make decisions that would be legally binding on the EU and national governments. The paper also calls for moves to guarantee equal legal treatment of EU citizens throughout the union through reforms such as making witness summonses enforceable in all 15 countries, and treating the union as a single area for bail purposes.

It says that special attention should be given to an overhaul of the EU's extradition convention to tackle the reluctance of some member states to extradite their own nationals to other member states.

UK NEWS DIGEST

Production fall hints at slowdown

Official figures yesterday showed that Britain's industrial production fell a seasonally adjusted 1 per cent in October, largely because of the unusually hot weather. The data wrong-footed City of London forecasters, who had expected a slight rise in production. Manufacturing output grew by a seasonally adjusted 0.2 per cent in the month, roughly in line with expectations. The decline in overall industrial production was attributed to lower gas and electricity output, as consumers cut back on fuel consumption.

Some City economists yesterday seized on the data as evidence of a slowdown. They warned that growth could slow even more sharply in the months ahead because official data suggest that industry is now holding excess stocks. These fears about broader economic growth were strengthened by signs that the Central Statistical Office's leading indicators – which plot trends months in advance – continue to point to a downturn.

Mr Ian Shepherdson, UK economist at Midland Global Markets, said that manufacturing data were "clearly disappointing – there could be worse to come if de-stocking comes quickly in the New Year; the Treasury seems extraordinarily complacent about this risk". Others insisted that the outlook remained reasonable. Ms Helen MacFarlane, UK economist at Hoare Govett, said that output "is certainly not collapsing under the need to adjust inventories".

The Treasury insists that growth remains on a steady path. Officials expect some de-stocking to occur in the coming months, they believe this will be gradual. Meanwhile, some officials – and Mr Kenneth Clarke, the chancellor of the exchequer – suspect that the CSO data on stocks and growth may be inaccurate and will be revised.

Gillian Tett, Economics Staff

Accountants hit by top damages

Personal assets of most of the partners of Binder Hamlyn, one of Britain's leading accountancy firms, were under threat yesterday after a record £65m (about $100m) award for damages. In the High Court yesterday, Mr Justice May awarded the damages against BDO Binder Hamlyn, a predecessor firm to Binder Hamlyn, because of information the firm had volunteered during a takeover bid. The firm will appeal.

With interest and costs, the claim is understood to amount to a total of £105m – easily the highest damages ever faced by a UK accountancy firm. The High Court was told that BDO's insurance cover fell short of the £105m total claim by £34m. As a result UK firms are likely to step up efforts to limit accountants' liability. One of the Big Six firms has already created a limited company to carry out major audits – two others are likely to announce similar reforms before Christmas.

Jim Kelly, Accountancy Correspondent

'Mad cow' scare deepens

Government efforts to play down growing concern about the health risks of eating British beef appeared to be failing yesterday as an influential trade organisation representing school caterers called for a cut in beef consumption. The Local Authority Caterers Association said school caterers should consider using more chicken, turkey and pork until the controversy over bovine spongiform encephalopathy – widely known as "mad cow disease" – had been resolved.

The association's warning conflicted sharply with ministerial claims that there is no scientific evidence of a link between BSE and Creutzfeldt-Jakob disease, a rare but often fatal disease affecting humans. Concern has mounted since senior scientists including Professor Sir Bernard Tomlinson, an adviser to the government on health reforms, disclosed that they had advised their families not to eat beef.

Mr Douglas Hogg, the agriculture minister, insisted yesterday: "We do not believe that BSE is transmittable to humans, but against the possibility that we might be wrong about that – and we don't think we are – we have also put in place various controls within the slaughterhouses that prevent any of the potentially infective agents getting through."

● About 40 protesters staged a sit-in to try to block live animal exports to France which began yesterday at Poole harbour in south-west England. The shipments have been switched from Dover because of mechanical problems on a berth there. It is expected the exports from Poole will continue for four days while repairs take place.

Kevin Brown, Westminster

Rules on share-out to change

THE NATIONAL LOTTERY

Ministers are drawing up new guidelines on the allocation of funds from Britain's hugely successful National Lottery, in the wake of the controversy generated by grants given to recipients ranging from the Churchill family to a prostitute outreach group. Mrs Virginia Bottomley, heritage secretary, has expressed dismay at some of the awards, which she believes have given the lottery a bad name. She wants to ensure that lottery money is channelled towards worthy causes and certain themes. Among the special causes favoured by ministers are medical charities, charities which help the victims of crime, churches and Victorian civic features such as urban parks and seaside piers. Ministers are obliged by law to respect the independence of the five bodies which distribute lottery cash, but they plan to issue guidance on the areas they want to see prioritised for grants.

The National Heritage Memorial Fund generated controversy when it spent £11.5m on buying Winston Churchill's papers from the Churchill family. Meanwhile the Arts Council's £55m grant to the Royal Opera House in London was criticised because it was seen to be at the expense of smaller community arts projects.

George Parker, Westminster

Engineering employers' group backs EU works councils

By Robert Taylor, Employment Editor

The Engineering Employers' Federation is to urge member companies to adopt the European Union's works council directive even though the UK's opt-out from the social chapter of the Maastricht treaty means the regulation does not apply. The decision by the country's largest manufacturing employers' association to take a positive attitude to workplace consultation and information committees will irritate ministers who have sought to protect Britain from what they see as the adverse effects of the directive. The regulation applies to all transnational companies operating inside the European Economic Area (except for the UK) that employ more than 1,000 workers with 150 in at least two EU member states.

Early in the new year the federation plans to run a European Commission-funded series of roadshows throughout the UK's regional centres when it will explain to its 5,000 member companies what the directive means for the engineering industry.

The federation estimates that 66 UK engineering companies will have to introduce a works council for their mainland European employees and up to 900 UK subsidiaries of non-British-owned companies will also be affected. The federation said in a briefing paper released yesterday that the works council directive "is fundamentally important for the UK". It added: "Not only is it the first transnational law dealing with information and consultation, but it will become applicable in the UK should there be a future Labour government which signs the social protocol."

The federation has found no companies in the UK that intend to exclude their British workers from any procedures or systems introduced under the directive. It also points out recent legal changes that also require companies to consult their employees on a collective basis in the UK, regardless of whether they recognise trade unions, in cases involving collective redundancies and the transfer of ownership of an undertaking.

● British chemicals giant ICI has negotiated a works council for its 24,000 employees across Europe, and the new body will meet for the first time today in London. The 27-strong consultative body covers employees in the UK, France, Germany, Spain, the Netherlands, Belgium, Italy and the Irish Republic. The company said the meeting will "have the opportunity of reflecting employee opinion on a pan-European basis".

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TECHNOLOGY

Worth Watching · Sheila Jones

Fatty acid fed to foetus

A technique that delivers a vital nutrient to the foetus and may prevent severe developmental problems has been demonstrated by Israeli scientists at the Weizmann Institute of Science.

Research showed that a fatty acid of the omega-3 family can be injected into the amniotic fluid, which fills the sac enclosing mammalian foetuses. Until now, the nutrient could be provided only as a supplement through the mother's diet.

Because the fatty acid is essential for the formation of nerve endings in the brain, eye and other organs, it may help to prevent foetal growth retardation, which occurs in 5-10 per cent of pregnancies and is responsible for about a third of low-birthweight infants.

Weizmann Institute of Science: Israel, tel 8343653.

Disorder may bring a pattern to chaos

Bringing order out of chaos may require a little disorder, according to US scientists working on chaos theory at Georgia Institute of Technology.

In computer simulations, an array of identical pendula subjected to the same electronic impulse displayed chaotic behaviour over space and time. Organised behaviour patterns emerged when each pendulum was given a different length and different impulse.

The team believes that the findings, which are published in the journal Nature, could ultimately lead to methods for improving the performance of electronic systems by exploiting variations in their components, and to new techniques for controlling diseases such as epilepsy.

"We think many patterns we see in nature are aided by randomness and disorder," says physicist William Ditto.

"This will lead us to think about systems in dramatically different ways."

Georgia Institute of Technology, US: tel, 404 894 5216.

Future promise of prototype melter

US developers of a "highly efficient" electric aluminium melter say a prototype is near completion.

The melter, expected to be on the market next year, is designed to outperform the gas-fired reverberatory melters that dominate the market, using direct current plasma arc technology.

Electric utilities backing the project say the new melter could lift their revenues significantly – about 8m tonnes of aluminium are melted in the US annually. The new melter processes more metal than comparably-sized gas-fired systems, the developers say, and cuts the amount of dross produced as a by-product. It uses a graphite electrode as the dc cathode and argon to create a stable plasma medium through which electric current is passed. The new units show thermal efficiency of 70 per cent, say the makers.

The project is funded by Centerior Energy, TVA and Alabama Power, with the Electric Power Research Institute in California.

EPRI: US, tel 412 268 3243.

Measuring the milk tank

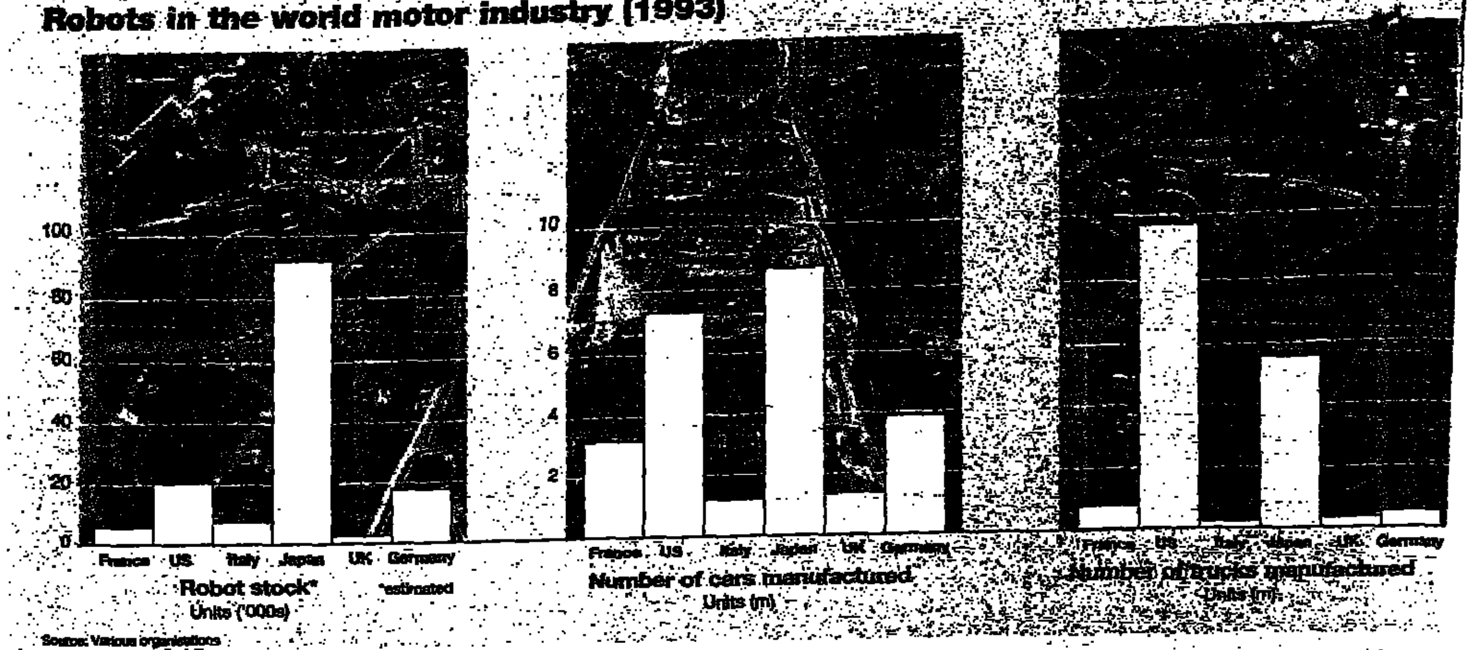
Hugonnet-Japy, the French milk tank manufacturer, has produced a digital dipstick to give farmers constant measurements of their milk stocks and sales.

The system is based on an electronic sensor linked to a float. An electrical pulse is sent between the bottom of the tank and the float, which is converted into a read-out of volume in litres.

Many farmers still use mechanical dipsticks, but a trend in some parts of Europe towards larger tanks – of around 5,000-6,000 litres – means greater accuracy is needed, says Japy. The company says the gauge is also designed to help farmers manage dairy herds more efficiently.

Japy: France, tel 80718205; UK, tel (0) 1296 436101.

ROBOTICS AT WORK



Servants of the assembly line

European car makers have found that robots are only part of the solution to their production problems, writes John Griffiths

Volkswagen's Hall 54 car assembly plant in Wolfsburg and Fiat's at Cassino in southern Italy still bear faint scars of a failed idea. The hope was that by introducing robotics and automation on an unprecedented scale, and thus sharply reducing dependence on expensive and inflexible workforces, Europe's car makers would be able to match their Japanese rivals on costs and quality. In so doing, they would at last be able to repel Japan's apparently inexorable invasion of Europe's new-car markets.

That was in the 1980s and early 1990s. Eventually, both companies realised that the manufacturing systems so expensively created were themselves too inflexible to adapt fast enough to changing demands in a new-car market fragmenting into an ever greater number of model niches.

This realisation coincided with the awareness that the Japanese success lay not in robotics and automation but in superior organisation of all the human and mechanical elements of production.

Today, the motor industry worldwide remains the largest sectoral user of industrial robots. But robots have become the car assembly workers' servants, not their masters; although there are exceptions, most notably the framing stations where robotised multi-welders assemble each unpainted bodyshell with almost no human intervention.

Of the world industrial robot population, estimated by the United Nations and International Federation of Robotics at 610,000 at the end of 1994, at least 40 per cent is estimated to be used in the motor industry.

Japan's motor industry remains by far the most intensive user of robots. There are 810 for every 10,000 people employed in the industry – more than four times the ratio of the French or UK industries. Its total stock of nearly 92,000 dwarfs the US industry's 20,000. However, according to research by the OECD, the IFR and others into value added during production, the presence of vast numbers of robots in Japanese car plants has not of itself led to big gains in labour productivity.

In the 1980s, as a UN annual report on industrial robots pointed out, productivity was by no means Japan's main rationale for installing so many robots. Japan at the time was experiencing labour shortages to a much greater extent than the US. This factor, coupled with Japan's encouragement of lifetime employment, provided the main driving force for investments in robots for assembly-line tasks.

However, that was by no means clear to VW, or to Fiat when its Cassino plant, near Naples, first began producing the Tipo and Uno models. They were built by an army of automated transfer lines and Comau robots, created by Fiat's own robotics subsidiary. Bodies were jigged and spot-welded at entirely roboticised framing stations, carried on integrated computer-guided transport systems to paint plants to be robotically painted, and later mated to their engines and gearboxes by robots.

Parts of the cars' interiors, such as dashboard modules, were inserted and connected by robots and doors were located and hung by "seeing" robots.

Not only was Cassino in its original form too inflexible in the most fundamental production processes, such as body assembly, but it failed to yield the hoped-for productivity gains as more human intervention became necessary to circumvent the concept's rigidities.

Melfi, Fiat's new plant, which is also in the south of Italy and now producing the Punto, incorporates many lessons learned from Cassino – and, in turn, they have been passed back to Cassino. Now Cassino is producing the new Bravo/Brava range just voted Europe's "car of the year", along similar lines to Melfi. At Wolfsburg, too, team-working and flexible, lean production have been increasingly introduced.

The greenfield Melfi facility, producing Fiat's successful Punto model, can reasonably claim to be Europe's most modern, integrated car plant. A substantial robot population is still present – indeed, body assembly, welding and drive-train installation remain wholly automated; but in all other areas robots have the role of facilitators of tasks, not as human substitutes. Despite the high production capacity, approaching 10,000 cars a week, the robot population, at around 340, is less than the 400-plus of the original Cassino.

Few analysts expect significant technological change within the industry leading to important new types of robots. Apart from their main usage in spot welding, robots already pick up, line up and attach doors, install front and rear windscreens, visually check dashboard displays for correct working, "sniff" for leaks in finished cars and, increasingly, install soft trim modules on final assembly, the last relative labour-intensive area.

Instead, there is projected to be, as the IFR puts it, "a process of steady technological improvements leading to falling prices [for robots] and improved technical adaptation to new robot installations".

Audi's revolutionary, aluminium-bodied A8 saloon car, produced out of a partnership with Alcoa, the US aluminium giant, is a case in point. Multi-axis robots cluster round its aluminium space frame body in much the same way as a steel multi-welder system. But a look at the C-clamps of the robot heads finds no electrodes or heavy current-carrying cables. Instead, there is a rivet feed and the robot jaws are found locking the frame together with self-piercing rivets. Much less space is needed around the robot head for the process.

If, as the system's creator, a small Welsh-based company called Henrob, is correct and the system is transferable to steel, smaller and nimbler robots could provide even greater flexibility for the v designer in the crucial body assembly stage.

Even in the next stage of : bly for an aluminium bodie the adding of surface body ; evolution rather than revolut robotic applications is most Such panels require bonding. than welding, but this means cing welding feeds with tul supply bonding agent rathe any basic change in robot de

The number of robots motor industry will conti grow. Partly this will be du ever greater variety of specil continuing to be found.

More significantly, they required in growing numl leading component supplie as the UK's GKN, Italy's I Marelli and Germany's Bosch. For it is these first-t pliers which carry the main of designing, developing and facturing ever more compl ponent systems for feeding car makers' assembly lines.

Next month the series fo robots in the US.

هكذا من الاصل

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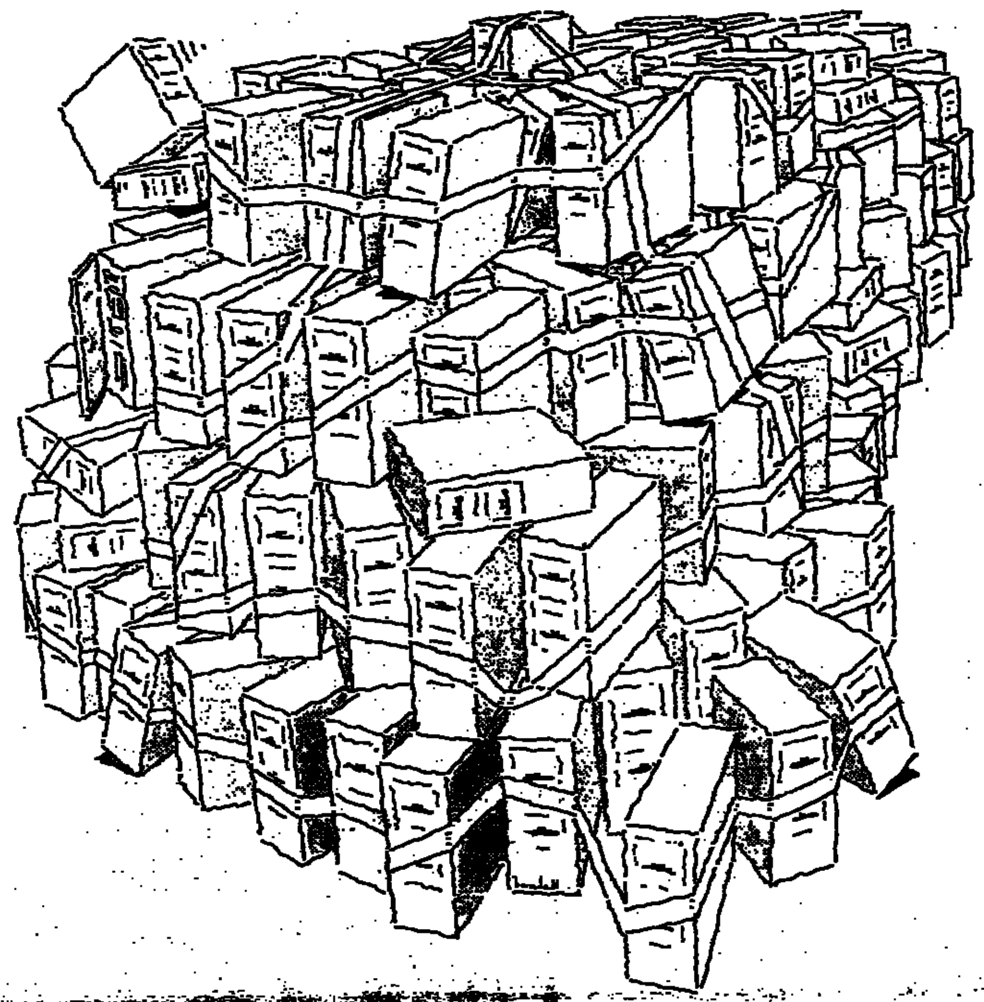

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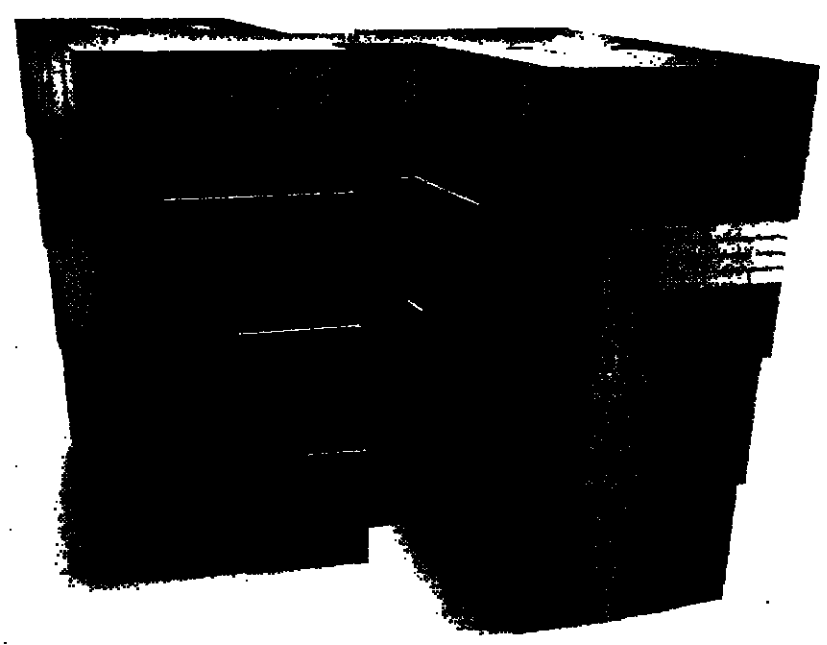

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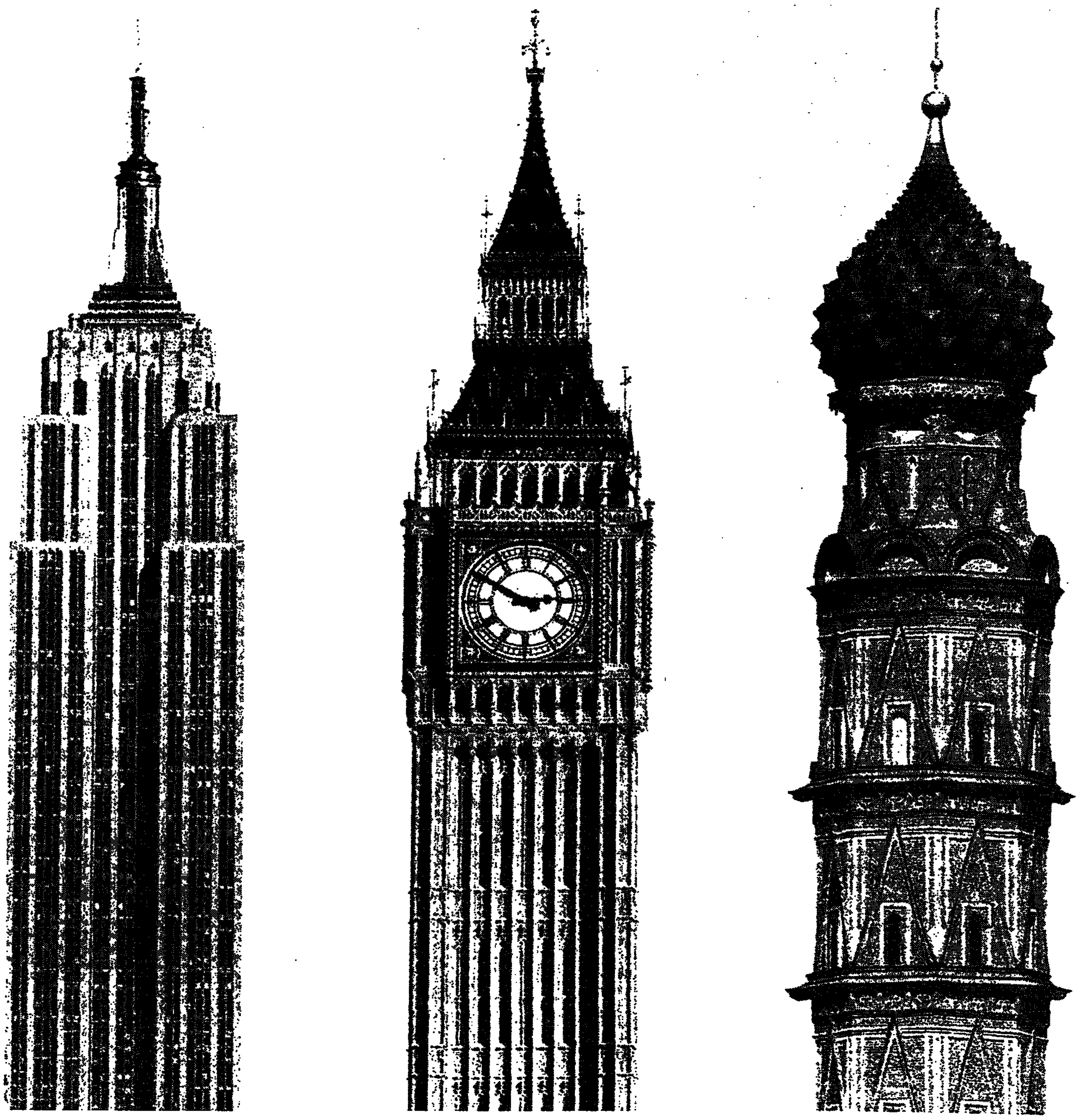

هكذا من الاصل

ARTS

Cinema/Martin Hoyle

Washington whimsy

THE AMERICAN PRESIDENT
Rob Reiner

UNSTRUNG HEROES
Diane Keaton

THE BROTHERS MCMULLEN
Edward Burns

ANGELS AND INSECTS
Philip Haas

DR JEKYLL AND MS HYDE
David F. Price

Which constitutional historian was it who remarked that the Britain is a republic headed by a monarch while the US is a monarchy whose head is called a president? This provocative comparison comes to mind in *The American President*, whose breathlessly starry-eyed depiction of the White House and its denizens suggests that Rob Reiner is the Crawfie of the Pentagon. The sensitivity of *Stand by Me* has gone flabby, the satirical vision of *Spinal Tap* is glaucomatous. But the period of goodwill fast approaches, and what better for the seasonal punters than a blend of *Cinderella* and *Mr Smith Goes to Washington*? Not for nothing does the security guard swap Capra film titles with excited Sydney Ellen Wade, environmental lobbyist, as she arrives to beard the president in his lair.

An attractive widower, humane, caring, humorous, ordering the bombing of Libya only as the last resort, father of a cutely perceptive teenage daughter, he falls for her, of course; but with fewer of the difficulties we might have predicted. Sydney accepts the ensuing media attention with nary a hint of bulimia, never a whiff of an internationally televised confessional. Tougher to take – this being America where the head-of-state is frighteningly head-of-government – is her lover's political wheeler-dealing with the causes dear to her heart.

It must be said that Sydney Ellen Wade is the most naively soft-centred lobbyist you will find outside Peter Pan's campaign to save Tinker Bell. Slickly scripted by Aaron Sorkin, with glossily painstaking re-creations of presidential venues, the whole thing is as winsome as all get-out. Connoisseurs will treasure the state dinner where the wide-eyed newcomer thaws the bored French presidential couple with what passes in American films for fluent Gallic *esprit*.

It is saved, just, by Michael Douglas as the president who finds integrity (and, we infer, popularity; only in fairy-tales do the two go together), a supporting cast that includes Martin Sheen and a wasted Michael J. Fox, and above all Annette Bening as Sydney Ellen Wade. All idealistic bubble and adorable, embarrassed squeak, she has the gist, like Capra, of making you tolerate corniness. But most fascinating of all is the reverential awe towards the president, as man, official and symbol, that permeates the film. It makes the constitutional monarchies of north-west Europe look as matey as Jack and Vera.

★

Steven Lidz, protagonist of *Unstrung Heroes*, is 12. His father is an inventor, his mother loveably maternal. The happy status quo is shattered by his mother's cancer. Steven's realisation that she is dying and his father's inability to cope emotionally sends the boy hotfooting it to his two mad uncles in their garbage-piled flat.

Arthur is a gargantuan scruff, a sweet-natured slob. He scours rubbish tips for junk that might need a home, and salvages balls from sewers in the belief that they hold the echoes of children who played with them much as a shell whispers of the sea. Danny is a raving paranoic, convinced that "Idaho" means "Jew-hater" in Cherokee, that everything, even a pancake, is bugged, and that "they" are closing in. Steve finds affection, wacky excitement, even religion, to the fury of his lapsed orthodox father.

It is part of an American tradition of family eccentrics recollected with love, plus the sugar-coated morality of something like *You Can't Take It With You*. But the director is Diane Keaton, who steers clear of both sentimentality and corn by coaxing marvellous performances from everybody: Andie MacDowell's dying mother, radiant with love even when worn with illness, John Torturro's boffin dad, not uncaring, merely not noticing his children's needs; and young Nathan Watt as the boy, mercifully un-cute but heart-rendingly vulnerable. A funny, touching film, it generates more good will than wistful Washington whimsy.

★

There is a direct link between Keaton and *The Brothers McMullen*. Edward Burns' first feature won the Grand Jury Prize at Sundance this year, and in his speech the director thanked his mother for making him see *Annie Hall*. Indeed, this study of the *education sentimentale* of three Irish-American brothers, wryly articulate dialogue against a real New York backdrop, recalls Woody Allen with a Catholic conscience instead of Jewish worry.

Jack, married to wonderful Molly, is lured into an adulterous fling. Barry is committed to non-committal, an almost pathological bachelor until he meets a girl who may be the right one. Recently graduated Patrick mixes devout Catholicism with romantic idealism – always earnestly perorating about the imminence of the one true love – and pragmatism. He finally breaks with his possessive Jewish girlfriend whose father promises a home and a job. Intelligent, engaging and well acted (the director plays roving Barry), the film presages well.

★

Alexander Balanescu's music for *Angels and Insects* is a poisoned, slightly sinister impression of Victorian ballroom dances. An air of foreboding, as in an Edward Gorey drawing of high-buttoned respectability, adds an ominous feel to the beautiful visuals of Philip Haas's evocation of 1860s English country-house life. It saves the film from the occasional danger of resembling a frilly Victorian valentine come to life.

William Adamson (Mark Rylance), a hard-up naturalist-explorer, is taken up by the wealthy Alabasters and marries the lovely Eugenia (Patsy Kensit) to the bitter disgust of her arrogant brother (Douglas Henshall). The pallid wife is languidly fecund; parallels are drawn with the insect world, the breeding queens and courtier ants, the slave labour and social hierarchy found with these creatures (T.H. White, in *The Once and Future King*, used ants as the prototype fascist society).

The sensitive Rylance's flat, northern tones make an effective foil to the gilded gentry but fatally punctures the tension when, discovering his wife locked in incest with her brother, he asks "This has been going for some time, hasn't it?" like an Alan Bennett character catching the office boy pocketing the tea-money.

Based on a novella by A.S. Byatt, the film has a sort of Henry James flavour: English civilisation as viewed by a not always comprehending foreigner. Perhaps it is because Patsy Kensit uses the word "nauseous" in its modern American sense, to mean nauseated.

Another Victorian has been plundered for *Dr Jekyll and Ms Hyde*. Crass, gross and naff, this comic updating to corporate America has a punched nose running gag, a camp gay running gag and burly-young-man-in-women's-clothes running gag. It also boasts the week's worst performance, from a Briton, I regret to say: Lysette Anthony, all-mumbling, all-stilted, all-wooden, who must be the first actress in the history of the cinema unable to project her voice as far as the microphone.

Starry-eyed depiction of the White House: Michael Douglas and Annette Bening in Rob Reiner's 'The American President'

Ballet

A great Russian dancer

Manchester on a chill Monday night. The weather closing in. *Swan Lake* in Moscow City Ballet's own and optimistic version. The heart does not sing at the prospect – until you see the strip across the posters: "Guest appearance by Ludmila Semenyaka".

These columns have charted Semenyaka's dancing for nearly 20 years, starting with an astonishing first viewing in Paris with the Bolshoi. Amid the animation and snowflakes and dolls in *Nutcracker*, we saw a young dancer with a purity, a sweet decorum, that went straight to the heart of the audience as it did to the heart of classic ballet. Since then, I have rejoiced in an artistry which has proclaimed, as have few other ballerinas, the grandeur of the academic dance, its formal harmonies, its ennobling power.

The storms which have latterly riven the Bolshoi – which the Leningrad-trained (and how that shows) Semenyaka joined soon after graduation – and the diaspora of Russian artists that has ensued, have brought a variety of guest appearances. (Sometimes in unhappy surroundings, as during a season most notable for its shameful neglect of her gifts by English National Ballet under Ivan Nagy). I cannot pretend that Moscow City Ballet is an ideal frame for Semenyaka – its *Swan Lake* is more interesting in production ideas than in realisation – but it allowed us to see once again her grandly eloquent Odette and her chilling, inexorable Odile.

On Monday, despite an orchestra eager to take Tchaikovsky down a peg or two and Dimitri Romanov as a Siegfried more royal in name than in manner, Semenyaka was an Odette in the great tradition, the only artist in Britain able to dance the role as it should be danced. The reading was aristocratic in statement – Racinian phrasing – and no less so in feeling. The second act's adagio was stated with such inevitability, such dignity, that we saw an interpretation which told everything of the character as of a ballerina's art. Her Odile was malign, but distinguished in utterance: terrifying glances at Siegfried, but not one moment of vulgarity, and no coarseness of style. (Semenyaka's line is all harmony and balance: our local aspirants might learn that extravagant extensions speak of the weakness of bravado rather than strength of technique).

It was, in sum, a view of the role – so often played, so often badly played, and so misunderstood – which asserted its continuity in Russia, in the century since its was created, through apostolic transmission from ballerina to ballerina. This superb lineage also enhanced the role's resonance as a masterpiece of danced romanticism, and Semenyaka revealed its undiminished power over audiences. Here was classic art: beautiful, inevitable. Here was a great Russian dancer.

Clement Crisp

Moscow City Ballet is on tour.

Theatre/Sarah Hemming

The Jungle Book

Having lead the pack of pantos last year with *Grimm Tales*, the Young Vic has chosen this year to hunt in more difficult terrain with *The Jungle Book*. More difficult, as director Tim Supple himself has acknowledged, because while the fairy stories grip by plugging straight into subconscious fears of abandonment and cruelty, Kipling's stories are more remote, their appeal more mysterious. We do not empathise with the animals, we are fascinated by them and their ways and laws.

Supple's stage adaptation works wonderfully because he emphasises the strangeness of the world we are viewing. His version is admirably faithful to both the spirit and the letter of Kipling's prose, but he makes it work for theatre by staging it with vivid clarity and simplicity.

The stage is equipped with only the bare necessities of theatre: the circular arena is strewn with red earth, the props consist of one rock, one tank of water and a hoop, while overhead a metal walkway allows for exciting, noisy chases and fight sequences. Everything else relies on the physical ability of the actors and Adrian Lee's atmospheric music played on a battery of percussive instruments and drums.

The narrative is clear: we follow Mowgli (an appealing but proud Ronny Jhutti) from his arrival in the jungle through four stories: his acceptance into the wolf pack, his tuition at the hands of Baloo and Bagheera into the laws of the jungle and his near-disastrous escapade with the monkeys, his unhappy attempt to rehabilitate among mankind and his triumphant return to the jungle with the hide of Shere Khan the tiger.

The first words of the evening are "Good hunting" and hunting and hunger are driving imperatives throughout all the stories, so that the law of the jungle emerges as harsh but honourable; Shere Khan is a villain because he kills dishonourably. All this, and the mysterious, ancient feel to the book, is skilfully suggested, as too is the innate dignity of the animals. They never lose their focus, become discursive or cute. With not a furry costume among them, the actors suggest the animals they are playing by posture and gesture alone.

The wolves, clad in grey, have an intent alertness (Sarah C. Cameron and Dan Milne are particularly good); Gary Bryden's Bagheera has a svelte, languorous heaviness; Simon Coury as Baloo (who, in a brown corduroy habit bears a distinct resemblance to Friar Tuck) is somewhat square and ungainly. Clive Mendus's Shere Khan, meanwhile, despite his fine striped coat and cruel claws has a certain shabbiness and brute meanness.

Most impressive of all is Andy Williams as Kaa, the ancient rock python. A tall, powerfully built man, with his shaved head, narrowed eyes and faint smirk, he suggests patience, wiliness and enormous strength, while somehow managing to be completely alien. On the press night, when he began his sinewy dance to hypnotise the monkeys, there were some sniggers, but they soon stopped as he whirled his enormous stick terrifyingly over the audience's heads.

If there is a problem with the show it is that, not being about scheming, messy humans, the drama lacks intrigue, complication and humour. Where Disney compensated for this with dancing bears, grumbling vultures and marching elephants, we have to wait until Mowgli comes among men for a few welcome comic interludes and witty asides. The second half of the evening, as the feud between Mowgli and Shere Khan comes to a head, is more gripping than the first. But this is a powerful, fluent staging that suggests all the fascination and ancient mystery of the original.

Continues at the Young Vic, London SE1 to January 27 (0171 928 6363).

Theatre/Ian Shuttleworth

Treasure Island

Sir Bernard Miles' productions of *Treasure Island* at the Mermaid have passed into legend; Glyn Robbins' annually revived adaptation for Vanessa Ford productions is unlikely to follow it, although it fares well enough at keeping large parties of children relatively silent for two and a half hours.

Miss Ford – producer of numerous children and christmas shows, and currently for Roy Marsden's Pageant Theatre Company in its Mermaid season – makes a couple of brief appearances herself, wringing her hands and voice as Jim Hawkins' mother and carousing as a whore in a Bristol tavern. However, in performance as in narrative, this is a classic boys' story, with its suspense, action and derring do by young Jim.

Or rather, it ought to be. Disappointingly, Robbins' adaptation and Phil Willmott's direction are strong and compelling on narrative, but perfunctory on the action itself. Cutlasses a-plenty whirl around in several well choreographed combat scenes (one expects no less from fight director Malcolm Ranson), but the dramatic tension remains on one note for most of the time. Suspense is not even cranked up by periodic billows of dry ice across the stage.

Roy Marsden is really quite imposing as Long John Silver. He swaggers and growls, but resists the temptation to stump along the Robert Newton path; this is a supremely confident Silver, always in control and never betraying fear even in the face of the mutiny by his fellow buccaneers. And yes, a live parrot does make a few cameo appearances on his shoulder, although sadly it has not been trained to squawk "pieces of eight!"

Barry Stanton puts his lungs into the role of Billy Bones, bellowing and spluttering for all his worth, and similarly enjoys cranking up the pomp as Captain Smollett, aiming at middle-period Stratford Johns and almost attaining that impressive magnitude. Raymond Platt grabs almost all the laughs in the second half as the ragged, marooned Ben Gunn, begging in a febrile quaver of a voice for some cheese after seven years' deprivation on Skeleton Island.

Paul Basson conveys the sense of Jim Hawkins as a witness to exciting events, but does not really engage when Jim himself performs heroic deeds. This is symptomatic of Robbins and Willmott's approach in general: we get the story told with workmanlike respect, but little sense of why it has captivated so many over the last century.

At the Mermaid Theatre, London EC4, until January 13. (0171 236 2211).

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● The Young Christmas: by Parker. Performed by The New London Orchestra with conductor Gerard Breas, The New London Chorale and The New London Choir; 8.15pm; Dec 8, 14
EXHIBITION
Stedelijk Museum Tel: 31-20-57329
● Emmy Andriesse - fotografie: retrospective exhibition of work by the Dutch photographer Emmy Andriesse (1914-1953), particularly known for the photographs she made in Amsterdam in the winter of 1944-45. The display includes fashion photographs, portraits of artists, and photographs Andriesse made while travelling in Europe during the last project she worked on; from Dec 9 to Jan 14

BERLIN

CONCERT
Konzerthaus
Tel: 49-30-203092100/01
● Ensemble UnitedBerlin: with conductor Peter Hirsch perform works by Maderna, Olbrisch, Ligeti, and the world premiere of Krieger's "Invocation of a Demon Brother"; 7.30pm; Dec 9
DANCE
Staatsoper unter den Linden
Tel: 49-30-2082861
● Apropos Scheherazade: a choreography by Béjart to music by Ravel, Stravinsky, Rimsky-Korsakov and traditional Iranian music, performed by the Ballet unter den Linden. Conducted by Daniel Barenboim, costumes designed by Gianni Versace; 7pm; Dec 8
OPERA & OPERETTA
Komische Oper Tel: 49-30-202600
● Giustino: by Handel. Conducted by Charles Farcombe and performed by the Komische Oper; 7pm; Dec 8

DUBLIN

CONCERT
National Concert Hall - Geoláras Náisiúnta Tel: 353-1-6711533
● National Symphony Orchestra: with conductor Reinhard Seifried and the RTE Philharmonic Choir perform Mozart's "Symphony No.36 (Linz)" and Mendelssohn's "Symphony No.2 (Lobesgang)". Soloists include sopranos Mary Hegarty and Maire O'Brien; and tenor Adrian Thompson; 8pm; Dec 8

HELSINKI

OPERA & OPERETTA
Opera House Tel: 358-0-403021
● Die Fledermaus: by J. Strauss. Conducted by Ari Angervo and performed by the Finnish National Opera; 7pm; Dec 8

HAMBURG

OPERA & OPERETTA
Hamburgische Staatsoper
Tel: 49-40-351721
● La Traviata: by Verdi. Conducted by Michael Halész and performed by the Hamburg Oper. Soloists include Veronica Villarroel and Elisabeth Steiner; 7.30pm; Dec 8, 13

LONDON

AUCTION
Christies South Kensington
Tel: 44-171-5817611
● Original Book Illustrations and Modern Illustrated Books: including works by Beatrix Potter and Ernest Howard Shepard; 11am; Dec 8
CONCERT
Barbican Hall Tel: 44-171-6388891
● The Daily Telegraph Christmas Gala Concert: The London Concert Orchestra, conducted by David Arnold, perform works by Humperdinck, Anderson, Rimsky-Korsakov, Franck, Fucik, Puccini, J. Strauss, Tchaikovsky, and carols for all. Soloists include soprano Adele Paxton and tenor Julian Gavin; 8pm; Dec 10
Royal Festival Hall
Tel: 44-171-9604242
● The London Philharmonic: with conductor Franz Welser-Möst and baritone Thomas Hampson in "New York Meets Vienna", a programme of vocal and orchestral music by Porter, Gershwin, J. Strauss and others; 6pm; Dec 10
St. Martin-in-the-Fields
Tel: 44-171-8398362
● Choir of King's College School: with conductor Michael Jenkins perform Christmas music and carols; 7.30pm; Dec 9
Wigmore Hall Tel: 44-171-9352141
● Finnish Independence Day Concert: with baritone Jorma Hynninen and pianist Ilkka Paananen. The programme includes works by Kilpinen, Trad/Gothoni and Sibelius; 7.30pm; Dec 8

LYON

CONCERT
Auditorium Tel: 33-78 95 95 95
● Orchestre National de Lyon: with conductor Günther Herbig and cellist Yvan Chiffoleau perform works by Florentz, Hindemith and Ravel; 8.30pm; Dec 8, 9 (6pm)

MUNICH

DANCE
Nationaltheater
Tel: 49-89-21851920
● La Fille mal gardée: a choreography by Frederick Ashton to music by Hérold, performed by the Bayerisches Staatsballett. Conducted by André Presser; 7.30pm; Dec 8

NEW YORK

AUCTION
Christies, Manson & Woods International, Inc.
Tel: 1-212-546-1000
● Important 20th-Century Decorative Arts: including arts and crafts and architectural designs; 2pm; Dec 8, 9 (also 10am)
CONCERT
Alice Tully Hall Tel: 1-212-875-5050
● Cleveland String Quartet: perform Haydn's "String Quartet Op.76 No.5", Corigliano's "String Quartet No.1" and Brahms' "String Quartet in A minor"; 2pm; Dec 10
EXHIBITION
The Metropolitan Museum of Art
Tel: 1-212-879-5500
● Textiles of Late Antiquity: exhibition of Late Antique (dating from the 4th to 7th centuries A.D.) and related early Islamic period textiles from the museum's collection. Including large wall hangings, furniture coverings, several complete tunics and hats, and ornamental pieces; from Dec 14 to Apr 30

PARIS

CONCERT
Salle Pleyel Tel: 33-1 45 61 53 00
● Orchestre des Concerts Lamoureux: with conductor Claudio Scimone and the Société des Chanteurs de Saint-Eustache perform Schubert's "Magnificat" and Mozart's "Requiem"; 5.45pm; Dec 10
EXHIBITION
Institut Néerlandais
Tel: 33-1 47 05 85 99
● Dick Ket (1902-1940). Tableaux et dessins: exhibition of around 50 paintings and drawings - mainly still lifes and self-portraits - by the Dutch artist Dick Ket; to Dec 17
OPERA & OPERETTA
Théâtre des Champs-Elysées
Tel: 33-1 49 52 50 50
● Osud: by Janácek. Concert performance by the Orchestre National de France and the Choeur de Radio France, conducted by Jeffrey Tate. Soloists include Livia Aghova, Eva Randova, Hanna Schaer and Peter Straka; 8pm; Dec 8

STUTTGART

OPERA & OPERETTA
Staatstheater Stuttgart
Tel: 49-711-221795
● Love for Three Oranges: by Prokofiev. Conducted by Gabriele Ferro and performed by the Oper Stuttgart; 8pm; Dec 8

SYDNEY

EXHIBITION
Art Gallery of New South Wales
Tel: 61-2-225-1700
● The Fauves: between 1904 and 1907 a group of artists including Matisse, Derain, De Vlaminck and Braque applied non-naturalistic and often disconcerting colours to otherwise conventional subjects. A contemporary critic described the art as that produced by wild beasts, or "Fauves". This exhibition of around 90 paintings intends to survey the entire range of Fauve subjects; from Dec 8 to Feb 18

VIENNA

OPERA & OPERETTA
Wiener Staatsoper
Tel: 43-1-514442960
● La Traviata: by Verdi. Conducted by Asher Fisch and performed by the Wiener Staatsoper. Soloists include Giusy Devinu, Keith Ikaya-Purdy and Kim Josephson; 7.30pm; Dec 8, 11

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17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Economic Viewpoint • Samuel Brittan

Anglo-Saxons, no gloating

The Juppé stabilisation programme deserves support, and ending the 'franc fort' policy does not provide a workable alternative

It is a pity that the best word to describe all too many English reactions to the French industrial upsets is the German *Schadenfreude*. A search for a French equivalent proved difficult. One colleague suggested simply *joie mauvaise*. Another suggested *ricanement des malheurs des autres* (derisive laughter at the misfortunes of others). But probably the best suggestion came from a French-speaking Swiss, who said that there was no good translation and that French speakers used *Schadenfreude* themselves. However it is translated, it is all too appropriate.

Yet the battle that French prime minister Alain Juppé is fighting is to make France into a modern economy that can afford an updated welfare state. It is a common battle in most European countries. The way in which so many English-language newspapers and politicians have been gloating about French troubles is pretty nauseating.

It is ironical that the French government should find it helpful to wage this battle in the name of meeting the criteria to launch the single European currency in 1999, whereas the last thing that Margaret Thatcher wanted when she fought a similar battle against union extremism in the early 1980s was for it to be linked with European institutions in any way. Yet it is the same battle; and it will have to be fought, whatever the exchange rate policy.

There are at least two issues. There is the reform of French welfare, especially as it relates to the public sector. Sooner or later some French government would have had to tackle laws that provide for retirement for train drivers at the age of 50. Moreover it is sheer delusion to suppose that the growing welfare deficit – which was the immediate spur to action – can be made to disappear by reducing interest rates or some other form of monetary manipulation.

Second, there is the even more important issue of how long French politics are to be decided on the streets. A culture of overturning vehicles and breaking windows to obtain objectives may have been understandable under unaccountable Bourbon monarchs. It is an anachronism more than two centuries after the French Revolution.

Margaret Thatcher fought her battle against union disruption and violence at the time of the 1983-84 miners' strike and later during some violent newspaper print disputes. Her victory owed nothing to the British talking classes, who evaded the issues by indulging in criticism of the prime minister's personal characteristics.

Yet now that a French government is belatedly tackling very similar problems, too many British commentators are simply gloating at the disruptions to Paris transport and the normal flow of French life. Most amazing of all, the ones who are gloating most are those who regard themselves as Tory Thatcherites.

Their excuse is that Juppé's troubles come from the pursuit of European monetary union; and that if he were to be defeated on the streets Emu would fail. More immediately they hope that the *franc fort* policy of staying close to the D-Mark would have to be abandoned. They dream of a French White Wednesday or *mercredi blanc*.

There are rumours of a dramatic monetary declaration before every Franco-German summit. But not wanting to count on summitry, I suggested a few weeks ago that the French authorities should make more use of the 15 per cent margin in the enlarged ERM as a weapon to fend off speculative attacks and to reduce their reliance on an interest rate premium above Germany. This was on the assumption that there was nothing much wrong with the central franc-D-Mark rate and that Emu remained a goal. But the time for such tactics needs to be chosen carefully. Reacting to industrial disturbance by slashing interest rates would be hauling up the white flag.

The underlying idea of the Europhobes is that if the Chirac-Juppé administration dropped the *franc fort* policy, France would experience an economic renaissance and probably the rest of Europe too. But this is wishful thinking. It presupposes that the franc is overvalued against the D-Mark, for which there is little evidence. French inflation has been below German over the past five years. In recent months inflation in the two countries has been fluctuating around a common range.

France has been running a current payments surplus for several years, while reunited Germany has been running a moderate deficit. Much more important: French unit labour costs have increased by much less than German unit costs, both over the past 10 years and more recently. The interest rate premium reflects not the realities of recent cost performance but a fear that this or another French government will be panicked into a dash for growth, which really would put the French back into the high inflation league.

Some devaluationists also say that the French current balance of payments would swing from surplus into insupportably large deficit if the French unemployment rate were to drop substantially. Devaluationists say that about every country they examine; and we cannot all devalue against everyone else.

The chart of labour costs does suggest, however, that there is something wrong. But the currency which is overvalued is the German D-Mark relative to the other main currencies of the world.

The labour costs chart plots an index relative to the main industrial countries and it shows German industry becoming steadily more uncompetitive. It has in fact done very well through product and process innovation and vigorous overseas selling to keep the payments deficit as low as it is. But both Chancellor Helmut Kohl and leading German industrialists have warned about the problem of high labour costs and there are frequent reports of household-name companies shifting their new investments to the former communist countries or further afield. On labour cost criteria, the French competitive situation has not deteriorated nearly as much. But it has deteriorated to the extent that the franc has been pulled higher with the German D-Mark.

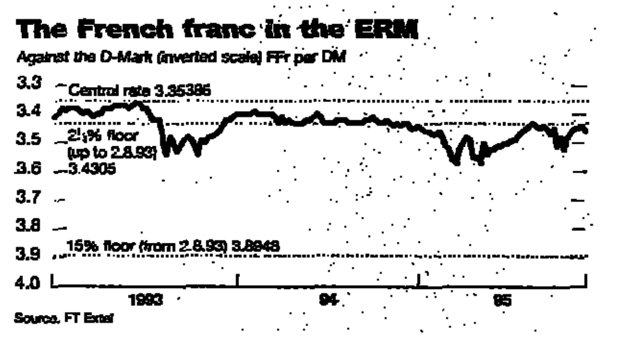
Currencies can only be under or overvalued in relation to each other. The yen is overvalued (although less than before) in relation to the dollar; and the D-Mark is overvalued both in relation to the dollar and to Germany's southern neighbours and perhaps also the UK. Germany can just about manage with an overvalued D-Mark against Italy, Spain, the UK and even the US. But if the German currency also became heavily overvalued in relation to France and its other northern European trading partners, something would snap.

It would then be extremely difficult for a German government to hold the line against demands for retaliation or countervailing action of some kind. So far from having a White Wednesday, France would find itself threatened with retaliation; and it is doubtful whether it would be allowed to get away with an uncontrolled downward float of the franc.

The UK and the Mediterranean countries were sufficiently peripheral to get away with "independent" policies conducted in their supposed national interest after the 1992-93 crises of the ERM. This would not apply if Germany's more immediate neighbours joined the game; and a currency war would be more likely than a genuinely freely floating foreign exchange market, if the deepest wishes of the prematurely celebrating Eurosceptics were granted.

The French franc in the ERM

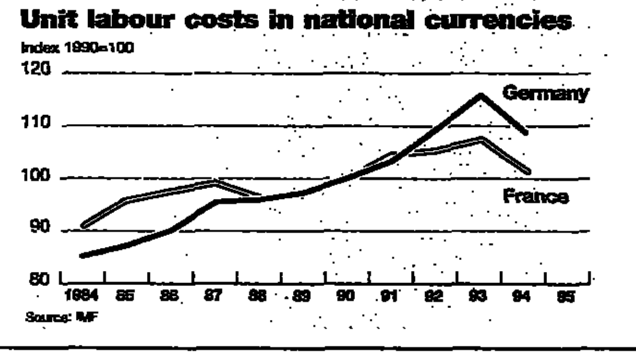
Against the D-Mark (inverted scale) FFr per DM



Source: FT Extel

Unit labour costs in national currencies

Index 1990=100



Source: IMF

BOOK REVIEW • Christopher Parkes

BIG BETS GONE BAD: THE LARGEST MUNICIPAL FAILURE IN US HISTORY By Philippe Jorion
Academic Press, $19.95

Distorted reflections in the treasurer's mirror

In an attempt to soften the judge's heart, Mr Robert Citron, the local government treasurer who faces up to 14 years in jail for securities fraud associated with Orange County's spectacular 1994 bankruptcy, has pleaded "dementia". His lawyers have written to the court where he is due to be sentenced later this month, proposing probation as punishment enough.

The 70-year-old has also claimed "county representatives and outsiders who were far more sophisticated and knowledgeable about matters concerning securities and accounting" should share the blame.

The county's allegations of misconduct against Merrill Lynch, the securities house, and other "outsiders" in the events that dissolved the Californian county's investment pool into a $1.7bn deficit have yet to be tested in the courts.

But what of Mr Citron's cronies in the local chapter of the American Society of Public Accountants in a county that annually generates more wealth than the entire economy of Israel? Even as the citadel was toppling, they awarded him a gong for "exemplary contributions to government and the quality of life".

And what about the Orange County administrative and legislative elite, which solidly backed him in his election campaign in early 1994 for a seventh consecutive term as county treasurer – despite earnest, reasoned warnings? They appear to have been mesmerised by the distorted reflections in the mirror of Mr Citron's greatness.

As Mr Thomas Riley, one of the county supervisors responsible for overseeing the treasurer, said during the 1994 campaign: "This is a person who has gotten us millions of dollars. I don't know how in the hell he does it, but it makes us all look good."

This blithe, damning quotation opens one of the more telling chapters in this account of the Orange County debacle, by Philippe Jorion, professor of finance at the University of California, Irvine.

Jorion, who teaches the theory of derivatives to business and management students, is more than a local academic. As a resident of the county, he is also a victim of the crash and estimates that the loss will cost him a total of $3,500.

But he has manfully put this behind him and laid a trail through the financial derivatives jungle where Mr Citron's reputation met its fate. He illustrates how the county gambled everything on a bundle of derivatives in a bet that would pay off only if interest rates fell.

Mr Citron claimed prescience on interest rates. "I am one of the largest investors in America," he boasted in 1993. "I know about these things."

But he learnt a thing or two more when the Federal Reserve raised interest rates six times last year. The parochial Mr Citron persisted, the author suggests, because he convinced himself that the US recovery was in peril and that rates would be lowered on the basis of a sluggish recovery in his home state.

Jorion helpfully highlights telltale signs of impending doom that guardians of civic wealth may care to watch for. They include the fact that the county treasurer had no college degree, an understandable criticism from a professor of finance. But the most damning indicator was the unshakeable consensus in the county administration that Mr Citron could do no wrong. "In a militantly tax-averse political environment, he produced enormous revenues painlessly, thus allowing government to function and expand," says Jorion.

Little surprise, then that Mr Citron did not take criticism well. For example, when Goldman Sachs wrote criticising his market manoeuvres in late 1993, he replied, arrogant and vindictive, that the the investment bank did not understand "the type of investment strategies we are using...I would suggest that you not seek doing business."

Thus, when compelling attacks on his investment strategy emerged during the 1994 election campaign, no one listened. His only rival in the election, Mr John Moorlach, a certified public accountant, claimed with apparently pinpoint accuracy that the value of the county pool had fallen by $1.2bn as of May last year.

Mr Moorlach sent a detailed description of what was going wrong to the supervisors advising them to "prepare for a worst-case scenario". But they hung on to the fantasy that their treasurer was infallible.

"Citron had made the supervisors' political lives easy: they could win elections as enemies of taxation while running a government awash in revenues," writes Jorion.

There is probably a fatter, cleverer book to be written, which would fill in some of the gaps. It might explain, for example, why the Securities and Exchange Commission, the US regulator, and two rating agencies found nothing to disturb them when they investigated Mr Moorlach's claims.

But a better insight is unlikely to emerge into why Mr Citron, who is finally judged to have prospered more on luck than judgment, took huge risks with taxpayers' money. It was solely to keep his reputation inflated.

The lesson Jorion points out is that the financial market is no place for fat egos. The lesson the Orange County Superior Court may care to draw is that, while Mr Citron may be in the dock, responsibility for the debacle embraces a far wider circle.

LETTERS TO THE EDITOR

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Short-term trade driven by fashion

From Mr William Wallace.

Sir, You report ("Institutions express doubt over Granada's bid for Forte", December 4) that institutional investors are expressing doubts about Granada's bid for Forte because "diversified groups are out of fashion". Conglomerates were apparently the institutional fashion of five to 10 years ago; now the approved trend is towards concentration on "core businesses". Perhaps in five years fashions will have changed again?

Most of my savings are tied up in the institutions which manage my pension, my life assurance and my personal equity plan. All of these are intended to have a 20-30 year term – to support my retirement income from 2010 to 2030 or so.

I find it exasperating that the City herd of institutional managers and analysts charge around from takeover to takeover, picking up and dropping briefly fashionable ideas, using the money entrusted to them for long-term investment to make repeated short-term trades. And this they do to little apparent benefit to the UK economy or to the long-term value of my savings (which partly depends upon the future of the British economy).

I would enthusiastically divert my savings to a financial institution which declared that its policy was to invest for the long term, to resist takeover bids in all but the most exceptional circumstances, and instead to play an active and critically supportive role in the companies in which it holds shares on my behalf.

I suspect such a financial institution would perform better over a 20-year period than those which churn portfolios through stock markets year by year; its management costs would be lower. Could the FT advise on how best to identify such an unfashion-conscious institution?

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Unido needs restructuring, but is undermined by funding cuts

From Ms Fiona Jebb.

Sir, You are right in your editorial "Unidon't" (December 5) to cite the "patchy track record" of the United Nations Industrial Development Organisation in promoting worthwhile development, especially when it comes to stimulating foreign investment.

As highlighted in the May/June issue of *Corporate Location* this year, a mere 69 companies used Unido projects to invest in the developing world in 1994. This is a dismal record. Yet it is precisely the sort of unilateral withdrawal of funding that you believe will be beneficial which has helped bring about this situation. Unido relies on a network of overseas offices to promote its investment projects but in the last two years both the German and US governments have decided they will no longer pay for offices in Cologne and Washington. Meanwhile, there is no office in London because the UK government was only willing to put up half the funds required.

These cost-cutting actions have merely served to deny Unido access to the very companies it must target. I hardly need emphasise that these three countries are among the main suppliers of foreign direct investment to poorer nations.

While a restructuring of Unido is certainly long overdue, the unilateral withdrawal of support by the most commercially minded and commercially active of donor nations has traditionally undermined rather than usefully refocused Unido's activities.

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Catholic teaching and constitution

From Bishop Donal Murray.

Sir, Philip Stephens ("The church divorced from its people", December 2), reflecting on the recent referendum in Ireland, writes: "One or two more liberal members of the hierarchy adopted a subtly different tack, stressing that their opposition stemmed from the threat posed by divorce to the cohesion of Irish society. Donal Murphy (sic) insisted that the issue was not one of 'obedience to the Church' but rather the vital role society should play in supporting the family."

A little research might have revealed to Mr Stephens the fact that the "subtly different tack" is clearly expressed in the statement issued by the bishops: "It is not a question of whether or not the teaching of the Catholic Church should be removed from the Constitution. The simple fact that something is in harmony with the Church's teaching is not in itself a reason to keep it in the Constitution, but neither is it in itself a reason to remove it. The proposal should be evaluated in the light of the social implications of introducing divorce."

Some further research would have revealed that this "subtly different tack" has repeatedly been the stated position of the Irish bishops for many years. In 1973, in relation to proposed legislation, the Irish Bishops said that "those who insist on seeing the issue in terms of the State enforcing or not enforcing Catholic moral teaching are...missing the point". They repeated this in June 1976, adding the following significant elaboration: "The question to be decided in matters of this kind – as far as state law is concerned – is the impact on society which a change in the law would be likely to have. Would it tend to change the character of society for the worse, to weaken the family, to make decent living more difficult for the young? This is the type of question which has to be faced by legislators or, in the case of a proposed change in the constitution, by the electorate as a whole."

I attempted during Mr Stephens' courteous interview with me to indicate that his questions were based on the mistaken idea that the bishops had instructed, or would even think of instructing, Catholics how they should vote on such a matter. Obviously without success.

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Supermarkets' idea of choice misguided

From Ms Angela Paxton.

Sir, It is hardly surprising that UK consumers are suffering from choice fatigue considering the average 17,000 product lines stocked in new superstores. Most of this "variety", as noted by Lucy Kellaway ("Consumer choice in shades of pastel", December 4) is entirely spurious. The logistical operations employed by supermarkets to supply such choice to the perceived "discerning customer" are impressive, but misguided.

Retailers, through concentrating on the provision of vast but uncalled-for product ranges, are failing to address shoppers' wider anxieties about the ecological and ethical costs of the food system. Little wonder that alternative forms of food buying, such as local food link schemes and ethical supermarket chains, are springing up. Incidentally, relief from the chore of choosing is an oft-cited bonus for many of those participating in local food links. Food multiples should take note.

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COMMENT & ANALYSIS

FINANCIAL TIMES
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Thursday December 7 1995

The florin in your pocket

Perhaps it is all the fault of the Germans. Everyone in Europe seemed reasonably happy to muddle along with the Ecu as the name of the future currency, until someone started a scare in Germany. They said it didn't mean anything in German, and they didn't know how to pronounce it. Worse still, it had a track record of being weaker than the D-Mark. And if you translated the letters as the European currency unit, it was little more than an invitation to inflation.

Now it is back to first base, and the EU leaders who gather in Madrid next week are being urged to take an instant decision.

So what's in a name? In a world where cash is on its way out, where we soon will all be using plastic and cashless transfers, does it really matter what we call the stuff? The pound in your pocket, that concept so beloved of Harold Wilson when he was British prime minister, is on its way out, regardless. Hard cash will become a thing of the past, just like the guinea, the thaler and the ducat.

The truth is that it does matter, at least to persuade the European public at large to accept their new currency. It needs to be simple, easy to understand in a string of languages, redolent of stability, familiar and yet fresh. The trouble is that the good bureaucrats, who agonise about such things in many tongues, are in danger of coming out with a horrible compromise: the Euro.

It sounds like the worst sort of creature designed by a committee: acceptable to everyone, and devoid of meaning. If anything, the Euro is attached to all sorts of negative things, not just in Britain: Euro-scepticism, Euro-sclerosis, Euro-pessimism, and Euro-phobia. Who talks of Euro-stability?

Mr Theo Waigel, Germany's finance minister, seems to like it. They could go on using Euro-marks in Germany, Euro-francs in France and Euro-guilders in the Netherlands – but then the currency would not have a single name.

At one stage it looked as if Chancellor Kohl could accept the Franken, as a gesture of solidarity to France (where they are perfectly happy to keep the Ecu). But the Brits don't like anything so Gallic, and Mr Felipe González is absolutely adamant that anything called the Franco would be quite unacceptable in Spain.

So what about the Crown? It translates into all the EU tongues, and sounds perfectly simple and strong. Most European countries have had them at some stage in the past. And it could even be made to look like the ring of Euro-stars from the EU flag.

The trouble is, it smacks of monarchism, which won't go down well with the staunch republicans in Paris.

What is needed is a name that is common in all languages, with a tradition dating back to the Middle Ages, an aura of stability and a sense of value. The answer is surely the Florin.

Gas deadlock

More than two weeks have passed since Mr Tim Eggar, the UK energy minister, urged the UK gas industry to resolve its differences over take-or-pay contracts. But nothing much seems to have happened. The minister's intervention was unwise. Apparently, it has hardened the resolve of North Sea gas producers not to make any concessions to relieve the plight of British Gas.

The difficulty arises because British Gas is locked into contracts to buy North Sea gas at prices far above the prevailing spot market price. Understandably, it wants help, either in easier contract terms, or government concessions on tax and regulation.

In any other industry, there would be no question that the problem should be resolved by the contracting parties themselves. And it is still much to be hoped that this will happen. Although the producers cannot be expected to sacrifice the value of their contracts, there may be scope for adjusting the timing and volume of deliveries to ease the pressures and preserve a healthy market.

However, this being the previously highly regulated gas industry, now in the throes of liberalisation, there are wider considerations which, some have argued, warrant some government action.

One is British Gas's claim that its losses are partly due to ministers' decision to bring the liberalisation timetable forward to 1998. The company thinks this gives it a moral case for compensation because it entered into take-or-pay contracts based on the previous deadline of 2002.

But this is not an acceptable view. Changes in government policy are no more compelling a reason to pay compensation when company fortunes go badly than they are for a windfall profits tax when they go well. In any case, the prospectus for the sale of British Gas in 1986 makes no policy commitments either way.

The argument also implies that British Gas was happy to enter into expensive contracts so long as it knew its monopoly was safe. If so, it should now pay the price for its unwarranted presumption.

The more serious concern is that British Gas's losses could disrupt the gas market and even force a postponement of full liberalisation. The government has already hinted that price cuts for the domestic consumer could be delayed as part of the process of sorting the contracts out.

If this were to happen, it might justify political intervention. But, despite British Gas's self-interested attempts to make it appear disaster is imminent, the situation is not yet critical – and could improve in future. The liberalised gas market of today offers British Gas the opportunity to display commercial instincts, rather than behave like the unresourceful creature of government it once was.

Korea's choice

South Korea's bribery scandal has given President Kim Young-sam a chance to push the economic liberalisation and deregulation he has always claimed to favour. Unfortunately, the government may lack the will to end its cosy relationship with big business, which lies behind the corruption.

Korea's application to join the Organisation for Economic Co-operation and Development reflects a realisation that the old approach to economic management will not work much longer. Korea has been phenomenally successful. But the past mixture of low wages, subsidised loans and trade protection meant that much capital was frittered away. To grow and compete, especially in higher technology products, business must learn to rely less on government patronage.

Such a change will not be easy. The large companies, or chaebol, argue that the government needs them as much as they need it, because they create Korea's wealth. Stock market weakness since the crisis broke signals a need for caution in the short term. This may explain the leniency towards most of the businessmen involved in the scandal.

Yet to prosper in the long run, Korean industry needs a more competitive business environment. Its capital market must properly reward success and punish failure. That would assist the development of small innovative companies, hitherto deprived of resources. The large chaebol need to focus on what they do best, instead of following each other, as a herd, into every activity from shipbuilding to semi-conductors. Spinning off divisions and selling more shares on the stock market would reduce the concentration of economic power, broaden share ownership and promote more democratic corporate governance.

The slush-fund scandal has revealed the scale of the public resentment towards the chaebol. But it gives Mr Kim extra leeway because it promises to draw a line under the political legacies left by Korea's former military rulers. The most damaging of these is the festering sore left by the massacre of protesters in the southern city of Kwangju in 1980. Any leader who deals with that will enjoy strong public support, even for radical change. The extension of the corruption inquiry into Kwangju and the arrest of former president Chun Doo-hwa for his part in that affair puts Mr Kim on the right track.

Now he is aiming for a fresh political start. Though he is Korea's first civilian president since 1961, this will not be easy. He himself joined the ruling party in 1990, before the end of military rule and still risks being tainted by that period. But a vigorous acceleration of economic reform would be a logical accompaniment to political renewal. Such an opportunity does not present itself often. It must be seized.

A risk of indigestion

John Plender asks whether Gerry Robinson of Granada has overreached himself in seeking to dislodge Sir Rocco Forte

British fund managers have a weakness for heroes. Mr Gerry Robinson, chief executive of Granada Group, is one of them. Until he took the television-to-restaurants concern into a bid battle with Sir Rocco Forte's hotels and catering empire, he was regarded by many in the City as the very model of the 1990s super-manager.

Yet now he is accused by anonymous critics among the investment institutions of reviving the worst kind of 1980s-style conglomerate deal. Has the hero of Granada overreached himself with this £3.3 billion hostile bid?

The question is of particular concern to Mercury Asset Management, the giant of the UK fund management business, which dominates the combined share registers with around 14½ per cent of Granada and just over 13 per cent of Forte. In effect, Mr Robinson and Sir Rocco are competing for a mandate from Mercury and others to run Forte's assets, which range from top hotels such as the Plaza Athénée in New York to roadside businesses such as Little Chef and Welcome Break.

Few deny that Robinson has done well so far at Granada. He is also on strong ground in tilting at a group that has performed poorly in terms of earnings, dividends and share price. Forte is widely regarded as having been undermanaged and the Granada camp has hit a rewarding target with its assault on low-yielding "trophy" hotels. Forte's long running battle for control of the Savoy Group was a propaganda gift to any bidder proclaiming to promote shareholder value.

But while some big investors are prepared to back Robinson as a manager of assets of whatever kind, others question whether he is best qualified to rejuvenate the Forte brand names. The notion that management is a magic quality that can be deployed with equal effect in different industries has failed to stand the test of time in a number of well-known cases. And the accusation that Granada's bid harks back to the period of macho deal making and ill-considered conglomeration has partly stuck.

Mr Robinson is, after all, an alumnus of Lord Sheppard's food and drinks group Grand Metropolitan, as are three other members of the Granada board. Few British companies fit so neatly as GrandMet into what US investment sage Mr Warren Buffett has scathingly dubbed the "gin rummy" school of management: pick up a few businesses here, discard a few there. Investors then confront a proliferation of goodwill write-offs and restructuring provisions, as they struggle to grasp the operating performance of the underlying business.

That, perhaps, is a warning signal, rather than a specific charge against the Granada management – although goodwill write-offs and restructuring provisions are very much a feature of Granada's accounts. And Mr Robinson himself points out the irony in criticisms of his skills in Forte's kind of business. He knows much more about catering, he says, than television, in which he has performed to institutions' satisfaction. He also argues that the bulk of Forte's business is not in the top quality hotels, but in the kind of mid-market hotels and catering where he claims expertise.

Yet his explanations of how Granada would extract more cash from Forte have not carried complete conviction with all his institutional listeners – especially those who hold shares in Granada alone, and who worry that their investment in cash-generative television will be diluted by the stake in a more capital-intensive, low-yielding, cyclical business.

A less well explored area surrounding the bid concerns the risks in the financing arrangements. Granada, with a net worth of £585m, is a relative minnow, in asset terms, against Forte, which has net assets of nearly £2.5bn. In offering £3.3bn for those assets, the bidder is paying more than £800m for goodwill, which would be written off immediately against reserves.

At the same time Granada is borrowing around £1.5bn for the cash component of the bid. The outcome of the transaction, after allowing for the borrowings, is that the combined net assets of the two companies shrink from £3bn to £1.6bn, while their combined borrowings rise from £1.9bn to £3.3bn. This financial engineering produces phenomenal gearing, amounting to 207 per cent of net worth. No account is taken in the figures of the £70m expenses of the offer. If these are deducted from net worth after a standard corporation tax charge, gearing rises further to 213 per cent.

Granada can argue that these figures do not include the surplus over book value of its direct and indirect stakes in BSkyB. On a rough calculation, including the surplus would reduce the gearing to 155 per cent. This is a less excruciating level than in some of the 1980s deals which went wrong, but still heady stuff by the yardsticks of any other period.

Even then the terms of the three-year revolving credit put together by BZW, ABN Amro and Chemical Bank for the bid are expensive, at a margin of 37.5 basis points (hundredths of a per cent) over the London Inter-Bank Offered Rate, when compared with 18.75 basis points on a £630m borrowing facility raised by Granada earlier this year. Yet in relation to the risks being run in a balance sheet whose gearing, adjusted for BSkyB, will go from 29 per cent to 155 per cent, they appear absurdly kind to Granada. Such is today's overheated banking market.

Granada is aiming to pare more than £1bn off its borrowings by the end of next October. With interest rates on a declining trend, that may look achievable today. But if the climate changed and today's high stock market values went into reverse, buyers – especially the fickle foreign buyers of trophy hotels, who have more money than sense – might become scarce. Borrowing covenants would then become more onerous. Yet Mr Robinson is convinced, predictably enough, that disposals will take place quickly and safely.

This, however, is on the basis of current bid values. With the Forte shares at a premium to the value of Granada's bid, there must be a strong chance of a higher offer, thereby increasing the potential dent in the balance sheet from goodwill, and possibly raising the net debt as well.

The danger here for Mr Robinson is that Sir Rocco has now declared his willingness to break up Forte. He may thus be offering shareholder value, like Mr Robinson, but at much lower risk to shareholders. So while a rise in the offer price is probably necessary to carry the day with those who chiefly hold shares in Forte, it may also help Forte's case by increasing the risk to those with shareholdings in Granada or in both camps.

Even without the worry about gearing, those who contemplate staying with Granada run the risk of the winner's curse. There is much academic evidence that the chief losers in the takeover game are the shareholders in the bidding company; also that competitive advantage is derived from running businesses, rather than buying and selling them. The anecdotal and psychological evidence that managers are too readily carried away by the thrill of the chase, as Warren Buffett has pungently remarked, is even more telling.

Institutional investors have hitherto been largely immune to the sage of Omaha's arguments. Yet there appears to be a growing awareness of the costs inherent in takeovers. It would certainly be easy for the institutions to put an end to this hugely expensive merry-go-round simply by voting against the ordinary resolution next week to approve Granada's offer.

Those who own Granada's share may be tempted to do so. Yet a veto of this kind is extremely rare, partly because it risks damaging the bidder's share price. Interestingly, one of the few cases concerned Mercury Asset Management, which publicly cast its votes against Boots' £900m bid for DIY, home improvement and bicycle group Ward White. The bid succeeded nonetheless, but subsequently proved a disaster.

Yet this was the only occasion on which Mercury has publicly said no. And in the present instance Granada paid the requisite pre-bid courtesy calls without running into obvious institutional antagonism. The more logical stance for an investor with shares in both companies would be to see how the bid battle develops. Most will end up backing whichever management seems more likely to make the Forte assets work harder, without incurring unacceptable balance sheet risks.

The belief among fund managers is that the balance has swung a little from Mr Robinson towards Sir Rocco, now that he has declared he will take the knife to the group that bears his name. Before the week is out, the spotlight will shift to the detail of Forte's case in the formal defence documents.

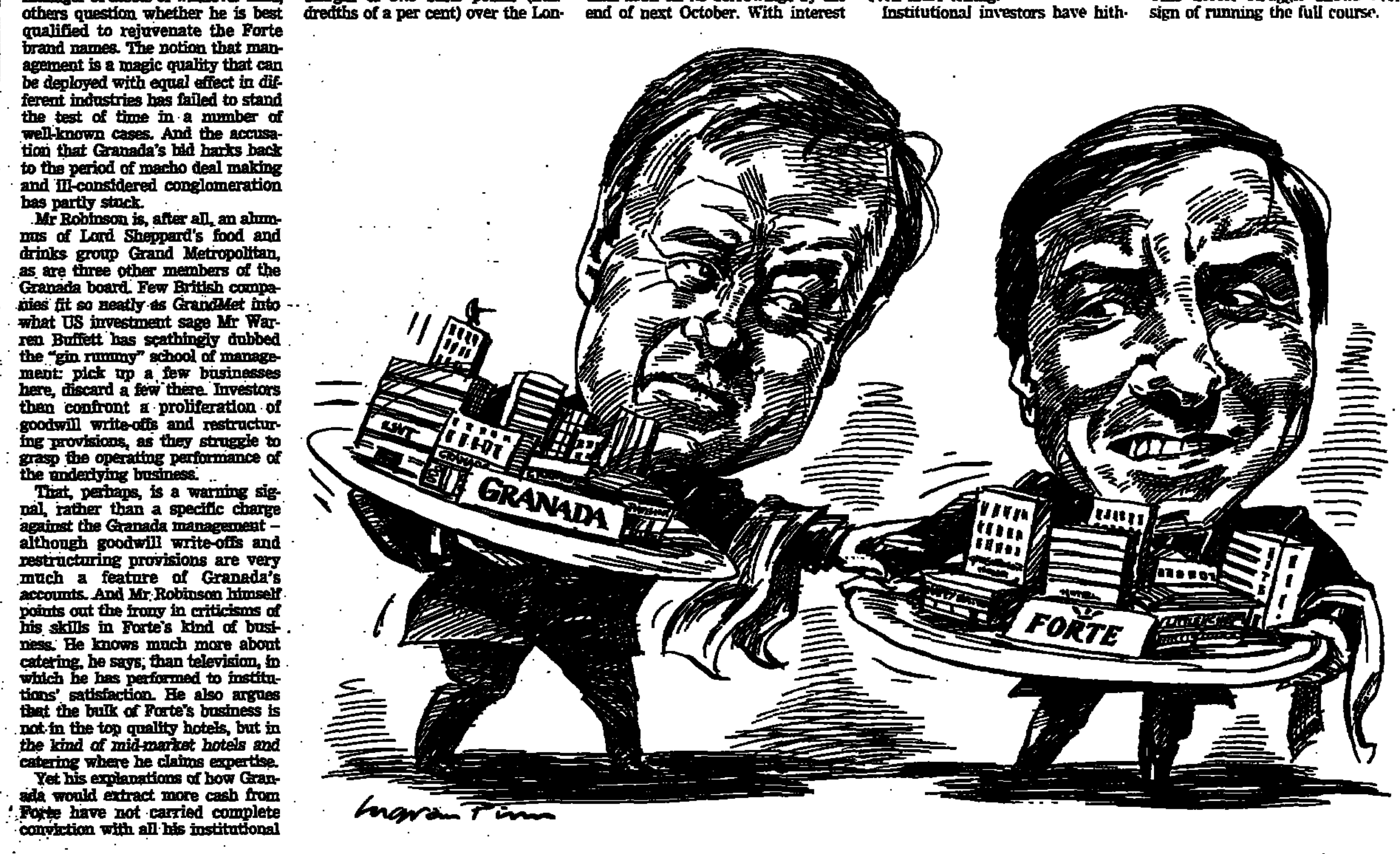
The growing band of bankers and brokers who belong in the upper reaches of the City's food chain, meantime, are licking their lips. This heroic struggle shows every sign of running the full course.

The takeover trap

"The sad fact is that most major acquisitions display an egregious imbalance: they are a bonanza for the shareholders of the acquiree; they increase the income and status of the acquirer's management; and they are a honey pot for the investment bankers and other professionals on both sides. But, alas, they usually reduce the wealth of the acquirer's shareholders, often to a substantial extent . . .

The acquisition problem is often compounded by a biological bias: many chief executive officers attain their positions in part because they possess an abundance of animal spirits and ego. If an executive is heavily endowed with these qualities, they won't disappear when he reaches the top. When such a CEO is encouraged by his advisers to make deals, he responds much as would a teenage boy who is encouraged by his father to have a normal sex life. It's not a push he needs."

Warren Buffett, Berkshire Hathaway annual report 1994



OBSERVER

[illegible] meeny, [illegible] mo

[illegible] ... Surely all the good names have already been hit upon?

Slipping "democratic" in somewhere has proved popular. Even Korea's former military dictators liked the term, creating first the Democratic-Republican party and later the Democratic Justice party. There has also been a plain Democratic party, a New Democratic party, a Democratic Korea party, a Reunification Democratic party and a New Democratic Republican party. The present Democratic Liberal party was created in 1990, the result of a merger of three parties.

So it's not surprising that the DLP strategists felt that "democratic" has had its day. Let's not forget that two opposition parties – the Democratic party and the United Liberal Democrats – [illegible] ... after mulling over 30 names, as well as conducting market research, the DLP yesterday decided to rename itself the New Korea party. It proudly proclaimed: "The New Korea party signifies a 21st century people's party for new politics, a new Korea and" – need we go on?

But was President Kim closely consulted? In 1992 a right-wing faction of the ruling party broke away in protest against his presidential nomination. They briefly formed a new party and called it . . . the New Korea party.

Insecure hot seat

■ The Commodity Futures Trading Commission, the chief derivatives regulator in the US, is getting a hang-dog look again. Mary Schapiro, the respected lawyer who took the CFTC's helm barely a year ago and immediately beefed up its enforcement activities, is moving her talents to the National Association of Securities Dealers next year.

It's true that the NASD badly needs a competent supervisor. But Schapiro had barely begun to whip the futures and derivatives industries into shape. She's leaving as her underfunded agency faces a stiff battle with the nation's futures exchanges, who are resisting a Congressional mandate to improve their fraud-detection methods.

Schapiro will be a tough act to follow, and the last time a CFTC Chair left, the seat remained vacant for two years. One name in the ring is that of retired Goldman Sachs partner Gary Seevers. He was once a CFTC commissioner, and had charge of Goldman's derivatives activities for many years.

Nom de plume

■ Wry smiles at Nato yesterday, as diplomats digested the news that the US-brokered peace settlement in Bosnia, until now known as the Dayton accord, is to be upgraded into the Elysée Peace Treaty.

France has insisted on the switch ahead of the formal treaty signing ceremony in Paris next week. Some suspect that it's a face-saving device covering the French decision this week to drop the 30-year formal boycott of Nato's top military structures ordered by President Charles de Gaulle.

France's move gives it a voice in the Nato command structure, just as the allied peace enforcement mission in Bosnia involving French troops gathers pace.

Significantly, it was Hervé de Charette, the low-key French foreign minister, who announced the new policy rather than President Chirac, himself a disciple of Le Général.

The French rapprochement with Nato may also explain why Chirac insisted on pushing its own man – Javier Solana, Spanish foreign minister – for the vacant post of Nato secretary general, rather than US favourite Uffe Ellemann-Jensen, former Danish foreign minister.

I want my toy back

■ But we shouldn't blame the French for trying to wring the most out of the Paris peace conference. After all, everyone else in Europe is trying to get a piece of the Bosnian peace action.

On Friday and Saturday, the UK will host a "Peace Implementation" conference focusing on reconstruction, humanitarian aid, and relations between the civilian authorities and the Nato mission. Germany is going to stage a conference on arms control and disarmament. Russia only lost out on a conference earlier this year because of President Yeltsin's illness.

The poor old European Commission's effort to hold an international "pledging conference" on aid to Bosnia in December has been abortive. But they will make up for it with at least two conferences on former Yugoslavia early next year.

Fresh doubt

■ Overheard in an Irish bookshop the other day. Customer asks for a copy of the Maastricht Treaty. Assistant pauses, then says: "Is that fact or fiction?"

The Financial Times

100 years ago

Chelsea Electricity Supply Co
A motion was brought yesterday for a sequestration order against this company for not carrying out an order calling upon them to stop the nuisance caused by the noise and vibration of their machinery. The plaintiffs were the landlord and several tenants of flats in Cadogan-gardens. Defendants pleaded that they had considerably reduced the nuisance, and would completely get rid of it of granted a little more time. The Judge granted defendants three months in which to put a stop to the nuisance.

50 years ago

Anglo-US pact signed
The United States is lending Britain $4,400,000,000 (£1,100,000,000) repayable at 2 per cent interest over 50 years, beginning 31st December 1951. Total amount repaid will be £1,490,625,000. The loan is divided into two parts:- $3,750,000,000 (£937,500,000) line of credit for trading purposes; and $650,000,000 (£162,500,000) representing Lease-Lend goods now in the United Kingdom as a final settlement of Lease-Lend. Mr. W.L. Clayton, U.S. Assistant-Secretary of State, told correspondents: "The British wanted to get a bit more, but I think the settlement is satisfactory to them."

FINANCIAL TIMES
Thursday December 7 1995

Two top-level posts to be created under World Bank reform plan

By Christopher Parkes in Washington

The World Bank has won cautious approval from its shareholder governments for a plan to reform its bureaucracy by appointing two extra managing directors and creating a new layer of reporting responsibility.

Despite scepticism among its shareholders, many of them attempting to cut administrative costs at home, the appointments are expected to be announced within a few days.

The plan, part of a drive to create a "results culture" in the bank, is the first important restructuring move proposed by Mr James Wolfensohn, who has been its president since June.

Mr Wolfensohn has effectively given himself two years to prove the merits of his strategy, and has indicated that he expects two of the expanded team of five managing directors to have worked themselves out of their jobs within that period.

Under the new structure, the five managing directors will each be allotted distinct responsibilities. They will confer daily with Mr Wolfensohn and act as the main conduit for the 18 vice-presidents who have hitherto reported directly to the president.

A key role will be played by Mr Sven Sandstrom, one of the existing trio of managing directors, who has been charged with improving accountability and creating an incentives system. It is understood Mr Wolfensohn has said he would regard it as a failure if these deficiencies were not overcome within a year or two.

He expects similarly speedy results from Mr Richard Frank, another existing managing director, whose job will cease to exist once he has implemented methods for co-ordinating the bank's links with private sector companies and institutions involved in development work.

Mr Wolfensohn's scheme addresses principal deficiencies he has discovered in the upper reaches of the bank's management. Sources said he remarked recently that the lack of accountability meant "you can never nail anyone". He has also complained repeatedly that the original team of managing directors suffered from a lack of responsibilities in line management.

In his first public statement on policy, made in October, Mr Wolfensohn said he wanted to create a "results culture" which would change the way the bank did business. "We must focus on our clients and results, and break the armlock bureaucracy has placed on this institution," he said.

Despite their unease, several officials yesterday said they supported Mr Wolfensohn's efforts to find a "fit" between the working methods he was accustomed to in the private sector and those prevailing in his new public role.

"If he feels the managing directors should be part of the line rather than corporate overseers, then that is his judgment," one official noted. It was important that he should be comfortable with his management structure.

However, no decisions appeared to have been made about what was to happen below the top level, he added.

THE LEX COLUMN

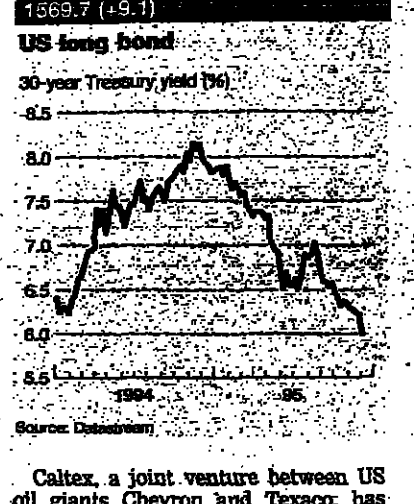
Six appeal

If the US long bond yield succeeds in establishing itself below 6 per cent, after some vacillation, the bulls will argue that this marks a new leg in the US stock and bond market rally. Technically, this is correct. The next target would be the low of 5.78 per cent reached in 1993, and the market may just have enough impetus to carry it that far. The environment is favourable, with low inflation, slow economic growth and a central bank apparently poised to ease monetary policy.

But there are several discouraging factors. Most importantly, there are signs that the market's own view is wavering. Two-year notes are yielding only 5¼ per cent, half a point less than money-market rates. This means that a half-point rate cut at least is already discounted. Yet with Eurodollar futures predicting money market rates just slightly below that level next September, the market already appears to have priced in much of next year's good news. However, there is always the chance that the market has again under-estimated the scope for easing.

Still, two-year notes look expensive, having dramatically outperformed long-dated bonds this year. Moreover, traders can no longer borrow cheaply in the money markets to invest in bonds. But the market is probably ready for a correction, rather than a reversal as in 1994. With inflation apparently well under control, real interest rates are not unreasonable. Some investors may switch out of Treasuries in search of higher yields, but there is unlikely to be an exodus.

FT-SE Eurotrack 200:
1569.7 (+9.1)



Japanese oil companies

In withdrawing from its 44-year joint venture with Nippon Oil, US refining group Caltex has obviously decided that discretion is the better part of valour. It looks like a sensible decision given the huge problems facing the Japanese oil market.

Demand is static due to the sluggish economy. Oversupply has depressed the price of petrol, the industry's most profitable product, by a fifth in four years. And oil is losing out to coal and gas as the fuel for electricity generation. Moreover, Japan is set to liberalise oil imports next spring. Currently only Japan's 29 refining companies have import licences. From April, anyone from supermarkets to farmers' co-operatives can apply to import oil. Although their established distribution networks will partly protect the oil companies, competition will hit profits further.

Caltex, a joint venture between US oil giants Chevron and Texaco, has also had problems of its own in Japan. Its refining joint venture with Nippon Oil was only marginally profitable even in good years, as the Japanese retained full control over the more lucrative marketing end. By selling its stake back to Nippon Oil, Caltex will receive $2bn to invest in faster-growing parts of Asia.

The danger now is that, despite official optimism, Exxon, Mobil and Shell, which have similar joint ventures, may also pull out. Since Japan produces no oil of its own, that would mean big changes for the whole structure for oil imports on which it has depended since the second world war.

Bass

The 4 per cent rise in Bass' share price yesterday was well deserved. In part, it reflected relief that the group did not launch a hostile takeover, but it was underpinned by impressive figures. Bass's four core businesses are far from firing on all cylinders, but hotels and pubs alone are generating sufficient momentum to continue powering double-digit profits growth this year.

Underlying profits at Holiday Inn grew by 20 per cent in 1994-95. With a growing number of hotels in the franchise pipeline, and margins improving further, the outlook is encouraging. The pub portfolio continues to benefit from an aggressive refurbishment programme which will accelerate with the recent purchase of Harvester. Of course, the leisure businesses are suffering and the full-year impact of Lottery scratch cards has yet to hit Bass's profits. But with £100m of investment capital this year, and the likelihood of industry deregulation, 1997 should see a sharp pick-up in leisure earnings.

Brewing remains an obvious laggard, since Bass is unlikely to see a repeat of both the hot summer and successful launches of Caffrey's and Hooper's Hooch. Nonetheless, the division generates substantial cash for investment elsewhere. Group capital expenditure should exceed £500m this year, but interest cover will still remain comfortable at over eight times. The primary concern is that the management will gear up for a big acquisition; but at least it has plenty of opportunities within the existing portfolio to keep it occupied.

Cashflow accounting

The revised cash flow statement being proposed by the UK's Accounting Standards Board is a big improvement on the current version.

Most importantly, it links the cash flow statement firmly with the profit & loss account and the balance sheet. Users of accounts will now be able to trace how cash moves through a business by starting with operating profit at the *top* of the cash flow statement and working through to the change in net debt at the bottom. This is much better than at present, where the number at the end of the cash flow statement cannot be reconciled to the balance sheet.

The other big change is a welcome simplification. The definition of cash is being narrowed to cash in hand and deposits repayable on demand. Movements in near-cash investments – like short term gilts – which often form part of a company's treasury activities, will be netted off into a single line. That should stop them distorting underlying cash flows from trading.

Greater detail, including sub-headings for dividends and capital spending, should help towards a standard definition of free cash flow. This will make it easier for analysts and investors to compare companies.

The board does not deserve blame for the inadequacies of the old standard. It was launched hastily in 1991 following the collapse of Polly Peck – which declared profits to the end, but was actually bleeding to death as cash flowed out of the door. Its revision as a shorter, simpler standard is all the more welcome.

Additional Lex comment on NFC, Page 22

Caltex to end venture with Nippon Oil

Continued from Page 1

influenced Caltex's decision to pull out, said industry officials.

Nippon Oil, which resisted Caltex's request when its US partner opened negotiations six months ago, yesterday put a brave face on the move. Mr Hidejiro Osawa, company president, stressed it would bring better integration of its refining and marketing. It holds 16 per cent of Japan's domestic petrol sales.

Caltex, owner of a 50 per cent stake in another Japanese refining company, Koa Oil, will continue to supply Nippon Oil with crude under an agreement yet to be negotiated. Caltex said it would keep its Koa shares.

Japan's two main credit rating agencies, however, remained sceptical of Nippon Oil's ability to obtain stable supplies and yesterday launched a rating review. The Japan Bond Research Institute warned that the sale might affect Nippon Oil's financial health in the long term.

Caltex's move prompted speculation that other foreign joint venture partners might also wish to reassess their ties, but this was quickly ruled out by energy agency officials.

The US oil companies Exxon and Mobil each hold a 25 per cent stake in Tonen, a refiner. Showa Shell Sekiyu, a refiner and distributor with 13 per cent of the petrol market, is an affiliate of Royal Dutch Shell.

These are among the 29 refiners and distributors entitled to import oil products under Japan's Specific Petroleum Products Law, due to expire next April. Thereafter, imports will be open to any company with a minimum storage capacity of 70 days' supply.

Supermarkets and trading companies are already preparing to enter the market, while some petrol station companies are considering direct imports from low cost South Korean refineries.

Former Japanese minister arrested after fraud inquiry

By Gerard Baker in Tokyo

Tokyo prosecutors arrested a former cabinet minister yesterday on charges of breach of trust in connection with two failed financial institutions.

The long-awaited arrest of Mr Toshio Yamaguchi, a former labour minister, followed a decision by the lower house of the Japanese parliament earlier in the day to waive his parliamentary immunity.

Mr Yamaguchi, once a leading figure in the opposition New Frontier party and now an independent member of parliament, gave himself up to prosecutors after hearing of the decision.

Members of parliament cannot be arrested by law enforcement authorities without approval from a plenary session of parliament, and Mr Yamaguchi is only the second member to be arrested in the past 28 years. Visibly distressed, he told reporters: "I had thought very carefully about committing *hara-kiri* (ritual suicide) over this, but I overslept this morning."

The arrest ended months of investigation by the Tokyo district prosecutor's office into his alleged involvement in fraudulent activity at the Tokyo Kyowa and Anzen credit co-operatives, which collapsed a year ago.

The two companies were rescued by the Bank of Japan after they were found to have more than Y100bn ($1bn) in non-performing loans.

Mr Yamaguchi is accused of arranging Y2.7bn in loans for members of his family by colluding with the management of the companies.

The loans were ostensibly for golf-course development, but they were used to repay debts of companies related to Mr Yamaguchi and his family, prosecutors claim. Mr Yamaguchi has angrily resisted all attempts by prosecutors to get him to discuss the matter, and said yesterday he remained confident a court would acquit him.

He was implicated in the affair by the ex-president of Tokyo Kyowa, Mr Harumori Takahashi, a property speculator turned banker, who is also accused of breach of trust.

Mr Takahashi's connections with politicians and bureaucrats are legendary and investigators are continuing to examine claims he has made concerning his relations with other senior officials.

The charges against Mr Yamaguchi are especially embarrassing because the New Frontier party is committed to reforming Japan's corrupt political system.

Tale of the Japanese 'bubble', Page 6

Fears over steep drop in German output

Continued from Page 1

consistent with anecdotal evidence from the German manufacturing sector, especially from engineering companies, which have reported that rising sales in other EU countries have compensated for lower demand from Germany. The extent of the fall in German output was exaggerated by a 7.1 per cent decline in the energy sector, a consequence of unusually mild October weather.

This was to some extent neutralised by strong construction activity, the only sector showing a rise in output. Following tax changes in the new year, construction activity is expected to decline in 1996.

Mr Robert Prior-Wandesforde, European economist at James Capel in London, said "Germany has a financial surplus, it has a positively-sloped yield curve, and from next year we will see fiscal loosening. For all those reasons we would not expect a prolonged recession." Ms Silke Vennes, economist at the German Federation of Industry, said confidence indices were more reliable pointers to where the German economy is headed than officially released economic data.

Brussels plans inquiry into online alliance

Continued from Page 1

The partners intend to divide their services, with Telekom Online specialising in business services and America Online specialising in services to private consumers.

The deal could also be opened to Axel Springer, another German publisher.

The Commission said the alliance was important because of the size of its partners.

The four month inquiry will also focus on several other areas including:

- Under what conditions would competitors have access to the content of publications controlled by the partners.
- Would publications not belonging to the partners be able to put their content online?
- Under what conditions would other online companies be able to use DT's networks and services?

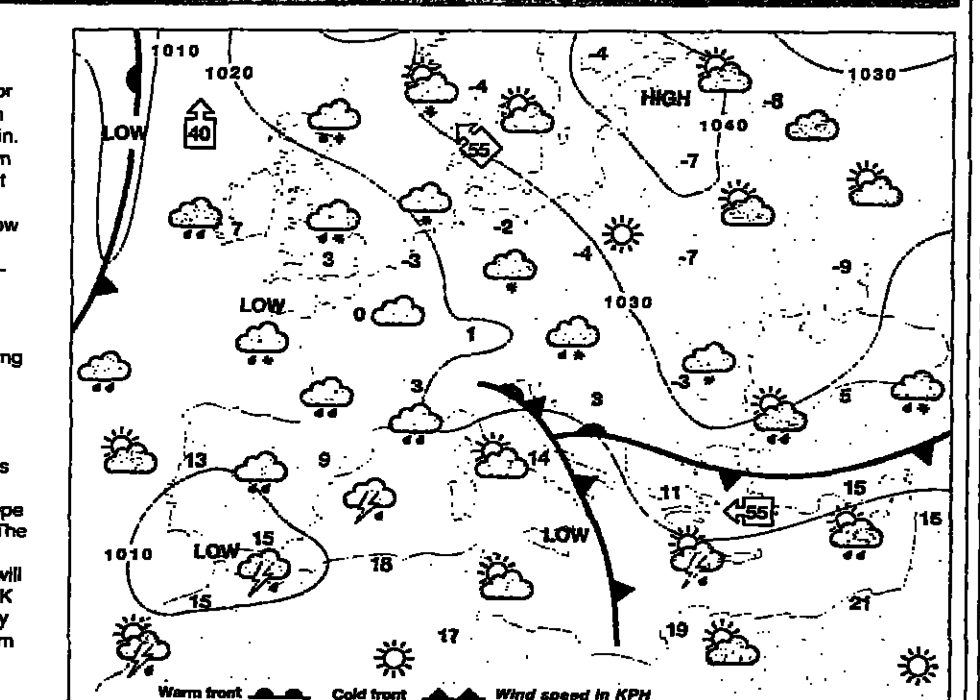
FT WEATHER GUIDE

Europe today

The UK will be mostly cloudy, with snow or sleet mainly along the east coast. Western France will have a mixture of snow and rain. Northern France, the Benelux and southern Scandinavia will be rather cloudy with light snow. It will remain cold, with afternoon temperatures below freezing. An area of low pressure moving over Spain will produce cloud and rain in most of Spain and south-eastern France. Southern Italy, the former Yugoslavia and most of Greece will have rain. Austria and Hungary will be overcast with maximum temperatures around freezing and light rain or sleet. Turkey and eastern Europe will stay dry with sunny periods.

Five-day forecast

An area of high pressure will move towards eastern Europe promoting more sunny periods and dry conditions. Southern Europe will remain unsettled with cloud and rain. The Benelux and Germany will turn dry and become sunnier. Afternoon temperatures will rise but will remain around freezing. The UK will stay rather cloudy with occasional rainy periods. More snow is expected in southern Scandinavia at the end of the week.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	sun	2	Caracas	cloudy	30	Faro	shower	16	Madrid	rain	9	Rangoon	fair	32
	Celsius		Belfast	sleet	3	Cardiff	cloudy	3	Frankfurt	cloudy	0	Majorca	thund	14	Reykjavik	rain	6
Abu Dhabi	fair	27	Belgrade	rain	2	Casablanca	rain	16	Geneva	rain	3	Malta	fair	17	Rio	fair	27
Accra	fair	31	Berlin	snow	-1	Chicago	fair	-2	Gibraltar	thund	14	Manchester	cloudy	3	Rome	fair	14
Algiers	fair	18	Bermuda	shower	22	Cologne	cloudy	0	Glasgow	cloudy	4	Manila	cloudy	29	S. Frsco	fair	18
Amsterdam	cloudy	-2	Bogota	cloudy	19	Dakar	sun	28	Hamburg	cloudy	-2	Melbourne	fair	21	Seoul	sun	1
Athens	rain	14	Bombay	fair	32	Dallas	fair	13	Helsinki	cloudy	-4	Mexico City	sun	22	Singapore	thund	28
Atlanta	fair	16	Brussels	cloudy	-1	Delhi	fair	26	Hong Kong	sun	20	Miami	fair	28	Stockholm	cloudy	-3
B. Aires	fair	32	Budapest	rain	1	Dubai	fair	26	Honolulu	fair	30	Milan	rain	3	Strasbourg	cloudy	0
B.ham	snow	1	C.hagen	snow	0	Dublin	sleet	4	Istanbul	shower	9	Montreal	snow	-7	Sydney	fair	25
Bangkok	fair	31	Cairo	sun	21	Dubrovnik	rain	12	Jakarta	cloudy	30	Moscow	cloudy	-5	Tangier	thund	15
Barcelona	rain	11	Cape Town	fair	27	Edinburgh	sleet	4	Jersey	sleet	2	Munich	cloudy	0	Tel Aviv	fair	18
									Karachi	sun	29	Nairobi	fair	26	Tokyo	sun	12
									Kuwait	fair	17	Naples	fair	15	Toronto	fair	-2
									L. Angeles	sun	24	Nassau	fair	27	Vancouver	cloudy	-1
									Las Palmas	cloudy	21	New York	fair	4	Venice	rain	7
									Lima	fair	24	Nice	rain	12	Vienna	rain	0
									Lisbon	cloudy	13	Nicosia	cloudy	17	Warsaw	fair	-4
									London	cloudy	3	Oslo	snow	-4	Washington	fair	5
									Lux.bourg	snow	-2	Paris	cloudy	0	Wellington	shower	19
									Lyon	rain	4	Perth	fair	26	Winnipeg	snow	-14
									Madeira	shower	19	Prague	snow	0	Zurich	cloudy	0

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday December 7 1995

IN BRIEF

Bass rises 11% to beat forecasts

Strong growth from managed pubs, soft drinks and Holiday Inn hotels drove Bass's pre-tax profits up 11 per cent to £599m in the year ended September, exceeding most City forecasts. Page 22

Croatia foreign investor plan under threat

Croatia's first serious attempt to attract foreign investment to rebuild its war-shattered economy is being compromised by a struggle between the country's largest bank and the Croatian Privatisation Fund. Both are run by appointees of President Franjo Tudjman (left). Meanwhile, a dispute over the proposed sale of an oil pipeline threatens to end up in court. Page 18

Thyssen seeks telecoms partner
Competition in the German telecoms sector is intensifying. Thyssen had little difficulty finding investors to buy 27 per cent of its telecoms subsidiary, and the group is seeking a partner to help it in its battle for a large slice of the market. Page 19

Netscape continues meteoric ascent
Netscape Communications, the Internet software group that made its stock market debut in August at an offering price of $28, continued its meteoric ascent to close at $171 on Tuesday. A rise of $21¼, this was its biggest single-day gain to date. Page 20

India's new bourse capitalises on row
The result of the tussle between the Bombay stock exchange and Reliance Industries, the country's biggest quoted company, is roughly a draw, say analysts. There may, however, be one winner – the National Stock Exchange, India's newest bourse, thrown into the spotlight by the row. Page 21

NFC operating profits drop 25%
Fierce competition and a series of one-off costs led NFC to record a 25 per cent fall in annual operating profits, in what the transport and logistics group described as its "annus horribilis". Page 22

BTP bucks trend to advance 16%
BTP, the speciality chemicals company, bucked the sector's weak trend to raise interim pre-tax profits 16 per cent from £18.1m to £21m. Page 22

Six come and go in FT-SE 100 changes
Six new constituents will join the UK's leading stock market benchmark, the FT-SE 100 index, in one of the most sweeping changes since the index was established in 1984. Page 22

Farm animal diversity under threat
About one third of the world's domestic livestock breeds face extinction, the UN Food and Agriculture Organisation warns. Modern livestock farming poses the greatest threat to diversity. Page 41

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Kaufhof	458.4	+	3.6
Zanders Feinpap	150	+	5
Falls			
DLW	230	–	12
Herlitz	250	–	5.5
Holzmann	523	–	12
Lahmeyer	543	–	10
NEW YORK ($)			
Rises			
Allmerica Fin	23⅝	+	1⅞
Fila	44⅛	+	2⅛
Sofamor Danek	24⅝	+	3⅛
Total Renal	25¼	+	2
Falls			
Boyd Gaming	10	–	1½
Rayonier	29	–	2
LONDON (Pence)			
Rises			
Bakyrchik	235	+	20
Bensford	190	+	17
Falls			
Inchcape	217	–	19
NFC	139	–	10
Psion	765	–	70
[illegible]	104	–	35
TORONTO (C$)			
Rises			
EMJ Data	11⅝	+	1
Nicholm B	7¾	+	1⅛
Pacific Forest	18⅞	+	2⅞
Falls			
Clearnet Comm	20	–	1
Mosaid Tech	25⅜	–	1¼
Spectral Diag	16⅞	–	1½
PARIS (FFr)			
Rises			
BIC	46	+	15.2
BNP	222.4	+	12.6
Paribas A	273.7	+	7.4
Synthelabo	298	+	12.4
Thomson CSF	112.2	+	4.4
Falls			
Union Immob Fr	433	–	33
TOKYO (Yen)			
Rises			
Central Fin	450	+	15
Maruha Kako	2340	+	140
Nippon Shinpan	787	+	71
Oki Electric	980	+	38
Tokuyama	738	+	22
Toshiba	781	+	35
HONG KONG (HK$)			
Rises			
Cable & Wire	51	+	2.5
Dah Hwa Intl	9.25	+	0.45
Dongfang Elec	2.5	+	0.15
Golden Harvest	1.78	+	0.11
HK Parkview	2.125	+	0.125
Falls			
QPL Intl	7.7	–	0.4
BANGKOK (Baht)			
Rises			
Siam City	388	+	32
Sri Charoen	168	+	15
Supalai Pub	74	+	6.5
Thai Fish	77	+	7
Falls			
Nakornluang Ins	78	–	5.5
Saha Pathan	44	–	3

New York and Toronto prices at 12.30.

US groups to lose out in Hungary sale

By Virginia Marsh in Budapest

Hungary is today expected to announce it has awarded stakes in six electricity distribution companies and two of its seven non-nuclear power generation companies to German, French and Belgian utilities ahead of US and UK competitors.

It has also decided not to go ahead with the sale of a stake in MVM, its core electricity company, after receiving just one bid, bankers said yesterday.

Eléctricité de France and RWE Energie, Germany's largest electricity utility, are each to be awarded stakes in two distribution companies, with Bayernwerk and Isar-Amperwerke, both regional German utilities, winning stakes in one distribution company apiece.

A consortium of RWE and Energie-Versorgung Schwaben of Germany is understood to have won the tender for the Matra power station, while Powerfin, a subsidiary of Tractebel, the Belgian energy and industrial group, is to be awarded the stake in the Dunamenti power station ahead of PowerGen of the UK and Southern Electric of the US.

PowerGen, which bid for a third power station, is believed to have entered the top bid for Dunamenti but to have attached conditions to its offer. There has been concern over generation companies' power purchase agreements, and some of the smaller, less attractive power stations received no bids.

The sole, and unsuccessful, bidder for a 24 per cent stake in MVM, which is to retain the national grid and Paks, a Soviet-designed nuclear plant, was a consortium of Bayernwerk, Eléctricité de France and Aare-Tessin of Switzerland. Several western utilities, including the UK's National Grid, did not bid for MVM due to its nuclear component and urged the authorities to reconsider selling MVM with Paks.

Stakes of 34-49 per cent and some management control were offered in the electricity companies other than MVM.

Although tenders for only eight of the companies were successful, bankers said the authorities had shown courage in attempting to privatise much of Hungary's energy sector in a matter of weeks.

The socialist-led government, which aims to complete privatisation by 1997, included a target of Ft150bn ($1.12bn) in privatisation revenues in this year's budget.

Twenty-six companies purchased tender documents for the electricity companies, which had combined assets of Ft882bn at the end of last year.

APV Rt, the state privatisation agency, was advised by Schroders, the London-based investment bank.

Hollinger to raise $400m in cash call

By Bernard Simon in Toronto

Hollinger International, the umbrella for Mr Conrad Black's worldwide media interests, plans to raise almost US$400m in new equity and debt next year to create a more stable debt structure and improve market liquidity for its shares.

Hollinger International, which was known as American Publishing before a recent reorganisation, is 85 per cent owned by Toronto-based Hollinger Inc, Mr Black's main holding company. Its interests include control of the UK's Telegraph group, and a sizeable minority stake in Southam, Canada's biggest daily newspaper chain.

The public share offering will lower Hollinger Inc's stake to 66.5 per cent. Its voting power, exercised through multiple voting shares, will fall from 96 per cent to 88.2 per cent.

The share offering will comprise 14m class A common shares and 2.1m shares subject to over-allotment options. Hollinger, which is listed in the US on the the National Association of Securities Dealers Automated Quotation over-the-counter market, was trading at $11.25 yesterday morning.

The company plans to take advantage of favourable interest rates by raising US$200m through an offering of 10-year senior subordinated notes. Proceeds will be used to repay all outstanding bank debt.

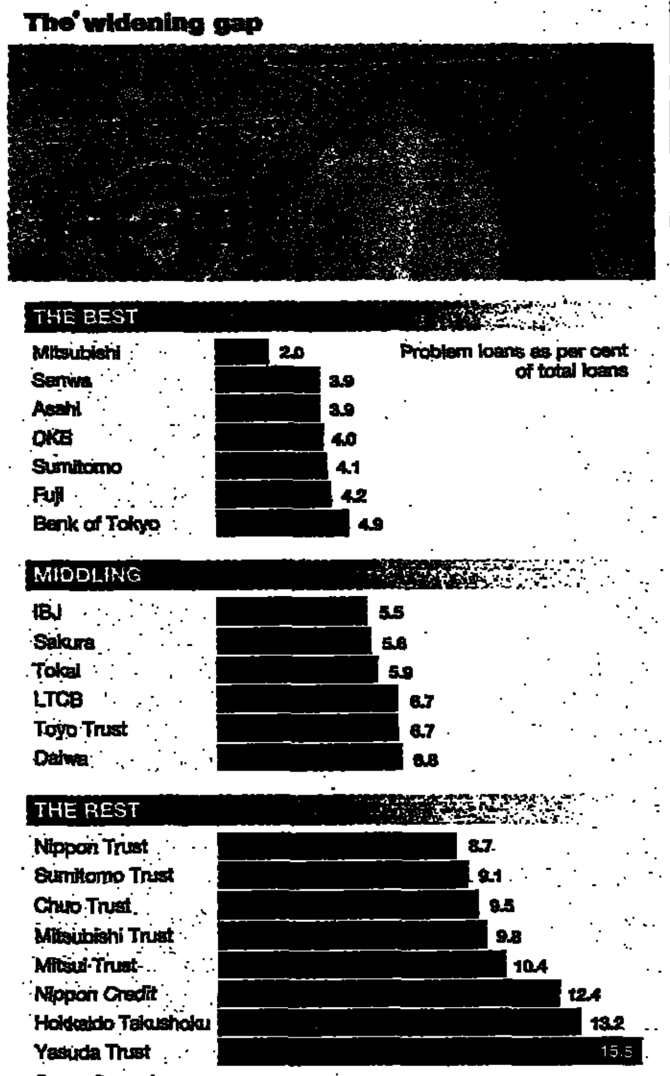
Hollinger, which has its head office in Chicago, recently opened a New York office as part of efforts to raise its profile in financial markets. It has appointed Mr Paul Healy, formerly a corporate finance executive with Chase Manhattan Bank, as vice-president for investor relations.

Mr Healy said the underwriting group for the share offering was chosen with an eye to expanding analysts' coverage of Hollinger. The underwriters, led by Merrill Lynch and including CS First Boston, Donaldson Lufkin and Jenrette, and Smith Barney, employ several of the top North American media analysts.

Hollinger Inc raised the possibility this autumn of selling some of the 33.6m Hollinger International class A shares it acquired in the latter's recent restructuring. However, it has pledged not to put its shares on the market for at least two years if this would interfere with Hollinger's efforts to raise outside capital.

Record profits in Japan cannot hide loan problem

Stronger banks pull clear of the pack



Source: Companies

It is the best of times and the worst of times for Japan's banks. The glare of publicity in which they have conducted their affairs for several months has intensified with the publication of their results for the six months to the end of September.

These revealed record operating profits, but at the same time showed new details about their non-performing loans that suggested that for some the difficulties are as great as ever.

Most striking is that the gap between the strong and the weak is widening, with implications for Japan's tightly controlled financial system. Within the next year, a number of the leading banks may well be able to use their strong profits to pull themselves out of the wreckage of the problem loan mess. But for the rest, recovery is a long way off.

The unprecedented surge in operating profits owed nothing to improvements in the banks' underlying performance, but was almost entirely the result of helpful government policy. The Bank of Japan handed big windfall bonuses to the banks by cutting interest rates repeatedly in the six-month period – taking short-term rates down from 2.2 per cent in March to 0.5 per cent at the end of September.

As a result, the 21 largest banks made combined operating profits in the six months of almost Y2,500bn ($25bn), up by more than 70 per cent from last year. But even more arresting was the bad news about their balance sheets.

Since the collapse of several institutions during the summer and the revelations about losses at Daiwa Bank in September, Japan's lenders have been under pressure. The main focus of concern has been uncertainty about the extent of the banks' "non-performing loans" masked by the country's opaque reporting rules.

The stronger institutions reacted with barely disguised alarm to the so-called "Japan premium" – the extra interest charged to Japanese banks' borrowings in international money markets – that emerged as a result of the uncertainty. They felt they had been punished unfairly for the sins of their weaker brethren.

So, ahead of the scheduled plan by the ministry of finance for the disclosure of such problem loans next year, Japan's leading banks unilaterally declared what they said were all their non-performing assets. Crucially, these included so-called restructured loans, where interest rates have been cut to assist a borrower in trouble, as well as debts that have gone rotten. They also included for the first time loans to the country's bankrupt housing loan companies, the biggest headache for the banks, which are owed more than Y3,000bn.

Four banks revealed they had problem loans of more than 10 per cent of their loan book. Overall, the figure was more than 6 per cent.

Unfortunately, the published numbers did not dispel suspicions that all is not as it seems. The definition of restructured loans was a tightly drawn one. Some banks may have simply shifted some of their problem loans to affiliated companies or subsidiaries. But even allowing for remaining imperfections in reporting, several banks should be in a position to eliminate the bulk of their problems in the current year.

Some banks even declared planned losses for the full financial year, almost unheard of until recently, to achieve just that. Other companies have sufficient capital strength to enable them to follow suit when the liquidation of housing loan companies is completed in the next few months. "Several banks are now in a position where they could afford to report quite substantial losses in the short term," says Mr J Brian Waterhouse, financial sector analyst at James Capel Pacific in Tokyo.

But for other banks the picture is different. Even if operating profits were to continue at the level achieved in the past six months (they will not), most banks would take several years to get rid of their problem loans.

This divergence between strong and weak banks is potentially the most important change in Japan's post-war financial system.

Throughout the past 50 years, Japanese banks have operated in a so-called "convoy system". Their role in the economy was crucial. They were the conduit used by the finance ministry to ensure a steady flow of low-cost funds to industry to finance Japan's economic miracle, and so they were not allowed to move too far out of line.

In the past, credit was in short supply in Japan and the post-1945 banking system was designed to redress that. Banks were at the centre of large industrial groupings, lending to manufacturers on a long-term, low-cost basis. They acted not as normal businesses, but as money machines for Japanese industry.

That has changed in the past decade. Industrial companies now meet a growing proportion of their financing needs direct from international capital markets and rely less on lending from their main bank. Stronger companies have therefore started to break away from the pack, eager to build their own financial strength. That may make matters even worse for the weaker banks. For the first time, it seems, they will increasingly have to fend for themselves.

Gerard Baker

KLM nears deal on 26% stake in Kenya Airways

By Ronald van de Krol in Amsterdam

KLM, the Dutch national carrier, is close to buying a 26 per cent stake in Kenya Airways, marking its first alliance in Africa.

The Kenyan government's sale of the stake, expected to be completed in early 1996, marks the first privatisation of an airline in sub-Saharan Africa. The Dutch carrier declined to say how much it would pay the 26 per cent holding.

Several other international carriers, including South African Airways and British Airways, are believed to have considered making a bid. KLM said the Kenyan government had already accepted its bid in principle, leaving a few details to be agreed.

Kenya Airways is the country's best-known corporate name to come up for privatisation so far. Until now, Kenya's privatisation programme, begun partly at the urging of its aid donors and institutions such as the International Finance Corporation, has been limited to about 60 smaller, less attractive public companies.

The government aims to retain a minority stake in Kenya Airways, with the remaining shares to be sold to institutional and private investors.

Originally, the government had been expected to sell only about 20 per cent of the carrier. In June, however, Mr Musalia Mudavadi, Kenya's finance minister, announced that the ceiling on foreign ownership of companies floated on the Nairobi stock exchange would be lifted to 40 per cent from 20 per cent.

Co-operation between the two airlines will begin with an adjustment of their schedules so that passengers can easily transfer from one carrier to the other. At a later stage, other possibilities include joint marketing, aircraft maintenance and cargo handling.

For KLM, the Kenyan deal is the latest in a string of alliances with smaller, regional airlines designed to transform the company into a global carrier.

In August, it signed co-operation deals with Garuda, the Indonesian airline, and with Jet Airways, a Bombay-based carrier in India. Unlike the Kenyan alliance, these two partnerships do not involve equity stakes.

However, KLM owns 45 per cent of Air UK, the British regional carrier which flies British passengers to KLM's base in Amsterdam for onward European and intercontinental connections.

To stake its claim to be a global airline, KLM may need to merge with another carrier. This week, it denied it was in merger talks with BA and American Airlines.

Kenya Airways, which posted its first profit in 1994, was formed in 1977 after East African Airways was disbanded following the collapse of the East African Community, a common market between Kenya, Tanzania and Uganda.

The airline has three Airbus A310s, two Boeing 737s and three Fokker 50s. Besides its domestic and African flights, it flies to seven European cities, though not Amsterdam. However, KLM has four flights a week to Nairobi.

The Dutch carrier considers Africa to be a growth market. This week, it announced that scheduled flights to Lusaka, the capital of Zambia, would start in January. This will be its 16th destination in Africa.

Carlton plans cable channels

By Raymond Snoddy in London

Carlton Communications, the UK television and media services group, is planning to launch several cable and satellite channels next year as soon as pending domestic legislation allows independent broadcasters to own satellite channels.

The new Carlton channels would include a Carlton Gold channel, drawing from more than a decade of programmes in the library of Central Broadcasting, its Midlands independent television subsidiary.

Central has a large stake in a US company, WIN, which owns the rights to more than 100 made-for-television films.

Disclosure of the new Carlton channels came as the company announced a 30 per cent rise in pre-tax profits to £246.7m ($389.8m) in the year to the end of September, with £122.8m in operating profit coming from the Broadcast Television division. It has cash reserves of £90.6m.

Carlton made its reputation through a series of acquisitions but has not made a significant purchase since November 1993, when it launched an agreed bid for Central.

Further acquisitions are not ruled out, but Carlton is concentrating on expanding programme production and on trying to find a way to expand into continental Europe.

Carlton, which had seven of the 10 most popular dramas on independent television last year, plans to increase programme production and to make more programmes in its own studios with its own creative teams.

Mr Michael Green, Carlton chairman, yesterday conceded that the government's broadcasting plans would retain restrictions on media ownership.

"But overall, they offer Carlton an opportunity to increase investment in production, to sell more television programmes and to create new channels," he said.

Granada, the television, leisure and rental group, has already said it plans to launch up to four new channels for cable and satellite next year.

Carlton UK Production responsible for dramas such as *Cadfael*, *Soldier, Soldier* and *Inspector Morse* says it is now the biggest supplier to the ITV network by value.

Carlton is already spending £160m a year on programme production.

EUROPEAN NEWS DIGEST

Ciba shares tumble as drug tests stop

Shares in Ciba, the Swiss drugs company, fell yesterday after it stopped trials on selfotel, a drug intended for stroke and severe head injuries. Ciba bearer shares fell SFr28 to SFr1,018 in a strong market. Lehman Brothers, the securities house, had forecast peak annual sales for the drug of SFr250m. An independent panel of doctors monitoring the trials said the drug's risks appeared to outweigh the benefits. The drug was in the last phase of testing before regulatory submission. Ciba said it was unable to say whether the drug was ineffective or side-effects harmed patients. Further study would follow before deciding whether to abandon the drug. Companies abandoning drugs in the same class include Sanofi of France. Companies still researching the area include American Home Products of the US, Astra of Sweden and France's Synthélabo.

Ciba said it had another drug in the class it was developing with US biotechnology group Cocensys. *Daniel Green, London*

Stet forecasts profits advance

Stet, Italy's state-controlled telecommunications holding company, yesterday forecast net consolidated profits of more than L2,300bn ($1.44bn) for 1995, against L1,901bn last year, and said that it would not raise new capital despite heavy international investments. The group expects turnover this year to reach L37,000bn, against L33,752bn last year and said it would also report "a significant fall" in net debt, which stood at L18,900bn at the end of last year and L18,000bn on June 30. The telecoms group has increased investment spending from L10,459bn to L12,000bn this year. The group, which is already quoted in Milan and New York, could be fully privatised next year. *Andrew Hill, Milan*

Portuguese retailer ahead

Jerónimo Martins, one of Portugal's leading retail groups, reported a 25 per cent increase in net consolidated profits for the first nine months, from Es3.95bn to Es4.93bn ($32.7m). Sales rose 29.9 per cent to Es202.14bn, helped by a series of international acquisitions, culminating in this week's £28.5m ($43.9m) purchase of Lillywhites, the UK sporting goods company, from Forte, the UK hotels company. Jerónimo Martins aims to use Lillywhites' products in its Feira Nova hypermarkets. This should both improve Lillywhites' distribution and strengthen the Portuguese group's weak non-food sector. *Peter Wise, Lisbon*

Coca-Cola resumes Pripps talks

Coca-Cola of the US is to resume negotiations today with the Swedish brewer and soft drinks supplier Pripps over its 42-year agreement to produce and sell Coca-Cola products in Sweden. The agreement broke down last week, apparently after Coca-Cola demanded Pripps sell out its own-brand soft drinks to concentrate on promoting Coca-Cola products. If the two sides do not reach a new agreement, Pripps will lose SKr1.4bn ($213m) in annual turnover from Coca-Cola drinks. *Hugh Carnegy, Stockholm*

EC approves Schering MS drug

Schering, the German pharmaceuticals group, said the European Commission had approved its multiple sclerosis drug Betaferon, whose generic name is betaseron. The drug will be launched in all EU states in the next few months. Schering expects worldwide sales of Betaferon to reach DM380m ($264.56m) this year, and between DM600m-DM650m in the 12 months following the European launch. *AFX News, Berlin*

French investors warn on St Petersburg bonds

By Andrew Jack in Paris

A group of descendants of French investors in pre-Revolutionary Russian bonds yesterday launched a sharp warning to those contemplating buying into proposed new issues by the city of St Petersburg.

The Association Française des Porteurs d'Emprunts Russes (Afper) said that those who invested in the last such issue available to foreigners, in 1913, had been "cheated and ruined" by the city which had "shown in the past that it honoured neither its commitments nor its signature".

The statement came after Mr Anatoly Sobchak, mayor of St Petersburg, told a meeting of potential investors in London on Tuesday that the city council had decided to "test the water" for the market for purchases by foreign investors after recent interest in high-yielding domestic bonds.

However, Mr Pierre de Pontbriand, vice-president of Afper, which is based in Paris, reacted strongly yesterday to the idea, saying: "We are very concerned by this offer. There are some appalling stories of families being ruined after selling their land to invest in these bonds."

Afper claims to have a membership of 6,200 out of an estimated 300,000 French holders of Russian bonds – many inherited from ancestors who invested before the Russian Revolution. Others have bought them far more recently for the few francs at which the market currently values them.

Mr de Pontbriand, whose own bonds were inherited from his family, said there were about 30m Russian bonds in circulation, including up to 4m in France, which had been issued by the Russian government, a number of individual cities and by several regional railway companies.

He said the outstanding bonds issued before the Revolution and not honoured had a value of about FFr15bn, but if they were reimbursed with interest at current prices, they would yield more than FFr1,000bn ($201bn).

St Petersburg had launched a number of bond issues from the end of the nineteenth century until 1913, but all commitments had been been broken. "The Russian government accepted all the assets after the revolution but it never took on the liabilities," he said. "That is against the principles of international law."

Mr de Pontbriand said an economic treaty signed between President François Mitterrand of France and President Boris Yeltsin of the Russian Federation in February 1992 made provision for the repayment of outstanding obligations between the two countries, but that the governments had so far done little to meet these commitments.

Battle set to rage over Croatian privatisation plan

A dispute over the proposed sale of an oil pipeline threatens to end up in court, writes Gavin Gray

Croatia's first serious attempt to attract foreign investment to rebuild its war-shattered economy is being compromised by a struggle between the country's largest bank and the Croatian Privatisation Fund.

The conflict reflects infighting between different factions in the Croatia Democratic Union (CDU), the ruling party headed by President Franjo Tudjman.

At the centre of the dispute is the pre-war oil pipeline which runs from Croatia's Adriatic coast to Hungary. In late October, the privatisation fund (CPF) announced its intention to sell for DM185m ($128.8m) a 25 per cent stake in Janaf, the company running the pipeline, to OMV, the Austrian oil company, and Mol, the state-owned Hungarian oil company that is being partially privatised.

If successful this would be the largest foreign investment in Croatia and would ease a budget severely stretched by war and years of heavy spending on the army which four months ago expelled 200,000 ethnic Serbs from Krajina and re-opened the road, rail and pipeline links between the coast and the Croatian hinterland.

But the deal is now hanging in the balance after a legal challenge by Privredna Banka, Croatia's largest bank. Privredna claims Janaf never repaid an $11m loan granted in 1979, the year the pipeline opened.

It is suing the CPF, a government body run by CDU appointees, for its refusal to acknowledge the debt and is demanding payment of $35m, its estimate of capitalised interest on the loan. It also wants the privatisation deal annulled.

The CPF faces a formidable opponent in the majority state-owned bank, which has an equity stake in a wide swathe of Croatian industry.

Mr Martin Katicic, the bank's managing director, and the suit's instigator, is one of the country's most powerful men. He is a leading member of the CDU and a deputy in the Sabor, the Croatian parliament. Ultimately the contest is not between institutions but between powerful personalities in a ruling party dominated by individuals competing for power and influence.

The privatisation of Janaf has been under discussion since this summer and a Privredna Banka says the CPF has known about the bank's demands from the outset.

Mr Ante Sango, a CPF officer handling the sale, denies this: "Privredna Banka has nothing to do with this deal. I don't care what happened in Yugoslavia in 1979. This is Croatia. This is a different country."

Analysts say this dispute between government bodies – both run by appointees of President Tudjman – is undermining Croatia's chances of being taken seriously by the international business community.

Janaf is an important test case because it has benefited directly from the re-integration of Krajina.

The pipeline was shut down in 1991 when war broke out and remained out of service for four years after 60km fell into Serb hands.

The Croatian army re-established Zagreb's authority over Krajina in August clearing the way for Croatia to retake the pipeline and resume pumping oil to its refinery in the town of Sisak and on to Hungary, Slovakia and the Czech Republic.

Re-opening the pipeline also cleared the path for privatisation. The government invited bids for 15 per cent of Janaf shares in a tender that closed on September 27. Two bids were forthcoming: Mol offered to buy 10 per cent of the shares at book value, on the proviso that it could pay 30 per cent up-front and the remainder in instalments over five years. OMV bid for 15 per cent at a suggested price of DM50m to DM90m – well below book value.

At the end of October, the Privatisation Fund announced it was increasing the shares on offer to a 25 per cent stake and that OMV and MOL would take 12.5 per cent each.

According to Mr Sango both bidders have agreed to pay book value, valuing the deal at DM185.75m. Negotiations are continuing.

Apart from the cash proceeds, Mr Sango sees strategic benefits for Croatia from having Hungarian and Austrian oil companies as shareholders in the pipeline. Croatia is hoping to become an alternative to Russia as a supplier of oil for central Europe.

President Franjo Tudjman: the government bodies in dispute are both run by his appointees

For Mol the attraction of a stake in Janaf is that it would give the Hungarian company more influence over its alternative source of oil.

The high cost of insurance for oil transported along the Croatian pipeline and Janaf's high pumping charges mean Russian crude supplied along the old Druzhba pipeline from the Urals would remain cheaper.

Privredna Banka insists that its claim for payment and moves to stop privatisation are reactions to a simple case of unpaid debt, although this is an explanation which satisfies few in Zagreb financial circles.

But with Janaf in no position to repay the bank's full demand and Mr Katicic seemingly unwilling to relent, it appears Croatia's first attempt to attract large scale foreign investment will end up in the courts.

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INTERNATIONAL COMPANIES AND FINANCE

Thyssen seeks telecoms partner

Competition in the potentially lucrative German sector is intensifying

Mr Dieter Vogel, the future chief executive of Thyssen, the German steel and engineering conglomerate, had reason to be pleased with himself when he announced last month that the group had raised about DM1bn ($696m) by selling 27 per cent of its telecoms subsidiary.

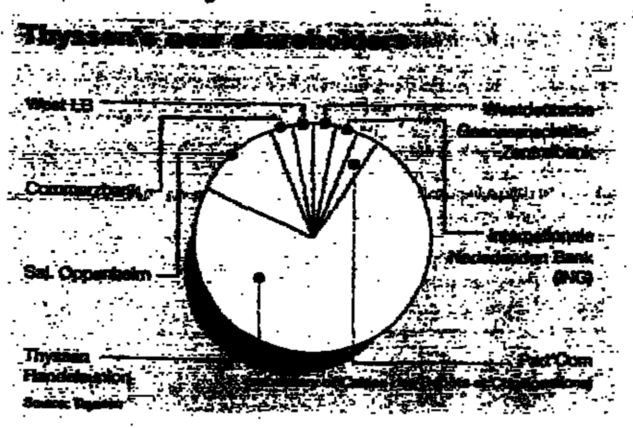
Sweet-talking four new German financial groups – including Commerzbank – to invest in Thyssen Telecom was easy. After all, the telecoms sector is expected to be lucrative – it is set to grow from annual sales of about DM60bn last year to between DM80-DM100bn in 2000. However, investors also included a French company and ING, the Dutch bank.

Mr Chris McFadden, telecoms analyst at US investment bank Merrill Lynch, points out that the price paid for Thyssen Telecom is significantly higher than that paid this year when Cable and Wireless, the London-based telecoms operator, took a stake in Vebacom, the telecoms subsidiary of the Veba conglomerate.

There seems, for the time being, to be no shortage of investors ready to take on Deutsche Telekom, the German monopolist and the world's third biggest telecoms operator in terms of sales.

While Thyssen and the other four would-be private telecoms operators have disclosed elements of their strategy for between now and 2000, two vital details remain unclear: what will Deutsche Telekom charge its competitors for the use of its network – so-called interconnection fees – and what sort of technology will the new operators use to access clients' households, given that Deutsche Telekom's network is the only way of doing so at the moment?

Deutsche Telekom has not given any details about how it will set its interconnection fees, and is not likely to do so until the very last minute to keep its competitors guessing.



Whatever fees Deutsche Telekom sets will need regulatory approval. But as Mr Bill Coleman, an analyst at London stockbrokers James Capel points out, the company could set interconnection fees so low that it would "make a nonsense of the business plans" being drawn up by Thyssen and others. By setting fees low, Deutsche Telekom could significantly reduce the value of the alternative networks that the utilities and other companies plan.

But while there is still uncertainty about the development of the German telecoms market, Thyssen has given some more clues about where it is heading.

The group has bid for a 49.9 per cent stake in DBKom, the telecoms subsidiary of Deutsche Bahn, the federal railway system. It has done so with Bell South, the US regional operator which is its strategic telecoms partner, and with one other leading German company which it may name as early as next week.

DBKom controls the only nationwide telecoms network in Germany alongside that owned by Deutsche Telekom, which ensures that competition for the stake will be intense. Veba, Viag and RWE, the three big German utilities seen as Deutsche Telekom's strongest competitors, have all bid for the DBKom stake. There is speculation that it will ultimately by won by a consortium made up of some of these companies.

Thyssen has also applied to the telecoms ministry for a licence to run a pilot project for Code Division Multiple Access or CDMA, a mobile telecoms technology developed in the US which allows telecoms operators to bridge the last kilometre between the fixed network and the client.

Analysts point out, however, that Thyssen is financially the weakest of the five companies hoping to compete with Deutsche Telekom. Three of the would-be operators – RWE, Veba and Viag – are utilities which are cash-rich because of their regional electricity monopolies. The fourth, the engineering group Mannesmann, has the advantage that it already has a flourishing mobile phone network with 1.3m clients.

Thyssen might have problems in finding the DM4bn which it has said it wants to invest in telecoms before 2000, because about 65 per cent of its sales still come from steel and engineering – both cyclical sectors where markets may move into a recession in coming years.

The group has raised DM1bn by placing 27 per cent of Thyssen Telecom, and expects to be able to find another DM500m if it were to sell the 13 per cent in Thyssen Telecom which is still available. Thyssen has said it wants to hold on to 60 per cent.

That leaves a further DM2.5bn which Thyssen hopes to be able to raise from cash flow. Last week the company announced net profits of DM775m for the financial year just ended, helped by a strong steel market, but Thyssen admitted that if there was a downturn there could be problems. "If we had no profits from steel it would be difficult," the company said. "That's obvious."

To overcome this investment hurdle, observers suggest that Thyssen may team up with one of the other would-be telecoms operators. A possible partner could be Veba, given that the two companies are neighbours in Düsseldorf and are shareholders in E-Plus, Germany's third mobile phone network and Thyssen Telecom's biggest asset.

Thyssen will not be drawn on whom it might co-operate with, but Mr Vogel is adamant that there is only room for "three, and better still only two, operators" to compete with Deutsche Telekom. "At the moment we are talking intensively, each with one another," he says.

Michael Lindemann

Omnitel challenge to Telecom Italia

By Andrew Hill in Milan

Telecom Italia Mobile, Italy's state-controlled mobile telephone operator, will face open competition for the first time from today, after Omnitel Pronto Italia, the privately owned operator, announced it had met the conditions to launch a full commercial service.

Omnitel said it had reached its target of covering 40 per cent of Italian territory and 70 per cent of the population with its digital transmission network.

Omnitel, owned by an international consortium headed by Olivetti, the Italian computer group, launched its experimental digital service, using the GSM European norm, at the end of September.

However, until now it has been limited to 10,000 customers. TIM already boasts more than 3.35m subscribers for its digital and monopoly analogue services. Earlier this week, it stepped up the promotional war with Omnitel by announcing new tariffs.

Mr Vito Gamberale, TIM's chief executive, yesterday welcomed the new competition, but criticised the way in which the Italian mobile phone sector had been liberalised.

Speaking at a conference in Milan, he said that for the time being, Omnitel was having to rely on TIM's GSM network for areas not covered by its own network "like a new-born baby which has to lean on TIM's pushchair to walk".

Mr Francesco Caio, his counterpart at Omnitel, said TIM's network did not cover much more territory than Omnitel, but that the new operator hoped to extend its coverage to the whole of Italy next year.

Separately, representatives of the Italian government and the European Commission are due to meet today in a further attempt to resolve a dispute over the granting of the second mobile phone licence to Omnitel.

The Commission has begun legal proceedings against Italy for allegedly distorting competition by charging Omnitel a L750bn "entry fee" for the second licence last year. Telecom Italia, the domestic operator from which TIM was demerged earlier this year, did not have to pay a fee.

● Omnitel has secured the financing it needs to fund its development, signing a L1,800bn ($1.1bn) 10-year facility which has been syndicated among nine Italian and 34 foreign banks, adds Antonia Sharpe in London.

The facility is divided into two tranches: the first of L1,200bn is linked to London interbank offered rate (Libor), while the second of L600bn is linked to domestic interest rates. The latter is available for cash drawings and for the issuance of guarantees in favour of other Omnitel lenders.

The cost of the larger part of the loan is based on financial ratios linked to Omnitel's financial performance: the starting margin is 175 basis points over Libor, falling to a minimum of 62.5 basis points as operating cash flows increase.

In addition, Finnish Export Credit has granted a five-year L306bn export credit line for the financing of supplies from Nokia to Omnitel.

Sale of Radio Monte Carlo stake under way

By Andrew Jack in Paris

The French state yesterday appointed a new chairman to head the organisation which controls the majority of its radio broadcasting interests, and announced its intention to proceed with the sale of one of its main subsidiaries.

The council of ministers confirmed the nomination of Mr George Vanderschmitt as head of Sofirad, who will be involved in implementing the restructuring of the state's involvement in the audio-visual sector aimed at audiences outside France.

Sofirad, created in 1942, controls the state's 83.33 per cent stake in Radio Monte Carlo (RMC), the company which operates a radio station and has controlling interests in two radio broadcasters and a related advertising business.

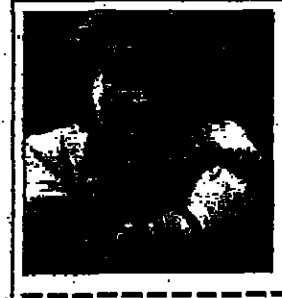
Bids opened yesterday for purchasers of the RMC stake, with a minimum price tag set by the independently-controlled privatisation commission believed to be FFr500m ($100.75m).

Potential buyers will have until the end of December to make offers for RMC's shares. Sofirad must reach a decision a month later. Unlike many other French privatisations, the sale will not be through an offer on the stock market nor in small pieces. Any purchaser will be obliged to take the entire stake.

The remaining 16.67 investment in RMC is held by the principality of Monte Carlo, which will be involved in determining the purchaser and will retain its minority participation after the sale.

RMC controls 100 per cent of Radio Montmartre, which broadcasts largely to elderly listeners, and holds 51 per cent of Radio Nostalgie, aimed at a middle-aged audience. It also owns Génération Expertise Média, which co-ordinates advertising sales to the three stations.

Sofirad also controls the French government's stakes in Canal Horizon and MCM, two television stations, and in several radio stations aimed at listeners in other countries.



CONTRACTS & TENDERS

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POWER, TRANSPORTATION AND COMMUNICATION BUREAU - SETC
DEPARTMENT OF TRANSPORTATION AND TERMINALS - DTT

The Department of Transportation and Terminals (DTT), organization under special policy, affiliated to the Power, Transportation and Communication Bureau (SETC) of the Bahia State Government, holder of the Taxpayer Roll No. 13.937.115/0002-30, through its Bidding Committee, hereby announces that on the 15th of January of 1996, at 2:00 p.m., in the Meeting Room located at Av. Luiz Viana Filho, 4ª avenida, 435, C.A.B., Salvador-BA, Brazil, shall be receiving Tenders and Qualification Documents regarding the execution of CONSTRUCTION AND EXPANSION WORKS AT THE AIRPORT OF PORTO SEGURO as described in the Edict.

Brazilian and overseas companies proceeding from the Inter-American Development Bank (IDB) member countries may take part in this bidding.

The resources for the implementation of the works that are subject of this Edict shall be originated in the PRODETUR-NE - Tourism Development Program for Brazil's Northeastern Region, which is partially funded with resources guaranteed in the Loan Agreement No. 841/OC-BR settled between the IDB and the Banco do Nordeste do Brasil S/A (BNB), and the Bahia State corresponding financial counterpart, according to the Budgetary Act No. 6701/94 of December 28, 1994, and Decree No. 3986 of February 7, 1995.

The Edict complete documentation may be acquired at Av. Luiz Viana Filho, 4ª Avenida, 435, C.A.B., from December 1st, 1995, to January 08, 1996, from 01:00 p.m. to 07:00 p.m., upon payment of R$1,000.00 (one thousand reals).

Jofre Silva Dalcum
President of the Bidding Committee

DTT
SECRETARIA DE ENERGIA, TRANSPORTES E COMUNICAÇÕES

CONTRACTS & TENDERS

PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTION 10(7) OF THE TELECOMMUNICATIONS ACT 1984

A licence to run telecommunication systems under section 7 of the Telecommunications Act 1984 has been granted to Orange Personal Communications Services Limited.

1. The Secretary of State hereby gives notice:
   (a) that he has duly reconsidered the proposals in respect of which he published a notice on 24 May 1995 under subsections 8(5) and 10(6) of the Telecommunications Act 1984 ("the Act") regarding his intention to grant a licence under the Act to Orange Personal Communications Services Limited ("the Licensee") to run telecommunication systems throughout the United Kingdom;
   (b) that he has granted such a licence ("the Licence") to the Licensee, being a licence which includes conditions such that section 8 of the Act applies to them, thereby making the Licensee eligible to have the Telecommunications Code contained in Schedule 2 to the Act applied to it under section 10 of the Act;
   (c) that he has applied the Telecommunications Code ("the Code") to the Licensee throughout the United Kingdom. The application of the Code to the Licensee is subject to certain exceptions and conditions. The effect of these exceptions and conditions is that the Licensee has duties:
      i. to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above-ground apparatus as is already installed for any purpose;
      ii. to comply with conditions designed to ensure efficiency and economy on the part of the Licensee, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of its apparatus;
      iii. to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and, where appropriate, English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;
      iv. to keep and make available records of the location of underground apparatus and copies of exceptions and conditions in the Licence to the powers under the Code; and
      v. to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.
2. The Secretary of State has applied the Code to the Licensee:
   (a) because the Licensee will need the statutory powers in the Code to install and maintain the telecommunication systems which are to be installed and run under the Licence;
   (b) subject to the exceptions and conditions referred to above because they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that the Licensee can meet (and relevant persons can enforce) liabilities arising from the execution of works.
3. The Secretary of State has granted the Licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.
4. The Licence has been granted for a period of 25 years in the first instance and is subject to revocation by the Secretary of State on 30 days notice in the circumstances specified in the Licence.
5. Copies of the Licence may be obtained from the Office of Telecommunications (Library), 50 Ludgate Hill, London EC4M 7JJ, price £16.00 each, postage and packing free.

Valerie Carpenter (Mrs)
Department of Trade and Industry 7 December 1995

Netscape shares shrug off doubts

By Louise Kehoe in San Francisco

Netscape Communications, the Internet software start-up that made its stock market debut in August at an offering price of $28, continued its meteoric ascent this week in spite of industry fears that should the company falter and its share price drop, it could drag the US high-tech sector down with it.

The share price has risen $23¾ this week, from its closing price of $137¼ on Friday to trade at $161 in mid-session yesterday. On Tuesday the shares closed at $171, up $21½, its biggest single-day gain to date. In spite of yesterday's profit-taking, it was still up 176 per cent from its first-day close of $58¼, four months ago.

With only one profitable quarter to its name – the company recently reported net income of $1.4m on sales of $21m for the three months to September 30 – Netscape now has a market capitalisation of more than $6bn.

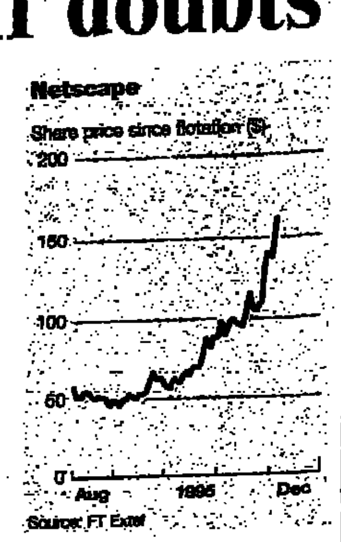
"It's a goldrush," said Mr Bill Gates, chairman of Microsoft, who today will unveil his company's strategy to become a leader in Internet software.

Netscape is riding a wave of investor interest in the Internet. However, industry analysts warned that it faced several significant challenges.

The company lacks the infrastructure for customer support and services that it needs to compete with much larger software companies, said Mr Karl Wong of Dataquest, the US market research group.

Netscape is also expected to make acquisitions to expand its product line and resources.

"We need to make some acquisitions ... there is enormous pressure on us," said Mr Peter Currie, Netscape's chief financial officer. He noted, however, the difficulty of managing acquisitions in the software industry.



Schulhof steals Sony's thunder

Resignation of the head of its US arm has flung the group into turmoil

This should have been a great week for Sony Entertainment. Mariah Carey entered the US singles chart at number one, as did Michael Jackson in the UK. Its Christmas films, *Jumanji* and *The American President*, have been well reviewed.

But on Tuesday the company was flung into turmoil by the surprise resignation of Mr Mickey Schulhof, 53, as head of Sony's US interests. These include the Columbia and Tri-Star film studios, and Sony Music, one of the world's largest record companies with Bob Dylan and Bruce Springsteen on its roster.

The departure of Mr Schulhof, who had worked for Sony for 21 years and played an important role in orchestrating the $2bn acquisition of CBS Records in 1988 and a $3.4bn film studio deal in 1989, has fuelled speculation that Sony may follow Matsushita, its rival Japanese electronics group, by selling its US entertainment interests.

"They haven't exactly hung up a 'For Sale' sign," said one New York-based entertainment industry analyst. "But it looks as though they wouldn't say 'no' to a good offer."

When Sony entered the US entertainment world in the late 1980s, it saw the deals as an opportunity to exploit the synergies between the films and music played on the video cassette recorders and hi-fi systems made in its factories.

Mr Schulhof, a close associate of Mr Akio Morita, Sony's then-chairman, took charge of the entertainment subsidiaries as head of the expanded US business. In 1989, Sony took an unusual step for a Japanese company by appointing two westerners, Mr Schulhof and Mr Jack Schmuckli, the Swiss head of Sony Europe, to its main board.

Michael Douglas and Annette Bening in The American President

Sony fared well with its new-found music interests after Mr Schulhof replaced Mr Walter Yetnikoff, its flamboyant head, with his own protegé, Mr Tommy Mottola. The success of Mariah Carey, the US singer now married to Mr Mottola, helped compensate for the 1993 crisis when Michael Jackson, Sony's best-selling artist, faced allegations of child sex abuse.

Sony Music has since lost momentum. *HIStory*, the latest Michael Jackson album, has sold 9m copies since its release this summer, an impressive tally for any other artist but not by his standards. Sony this year lost its traditional number two slot in the US music market, behind Warner, to PolyGram.

The music division's difficulties pale beside those of Sony Pictures, which incurred heavy losses under the spendthrift reign of Mr Peter Guber and Mr Jon Peters, the producers hired by Mr Schulhof.

Mr Peters, who once commandeered a corporate jet to send flowers to a girlfriend, was swiftly ousted. Mr Guber stayed on to champion a $1bn investment programme until his departure last year.

Mr Schulhof's job has been on the line since last autumn when Sony announced it had gone into the red after writing Y265bn ($2.6bn) off the value of its film business following a string of flops, including *Last Action Hero* starring Arnold Schwarzenegger.

Sony Pictures has since stabilised with modest successes including *Bad Boys*, *The Net*, *Little Women* and *Legends of the Fall*. But it has yet to produce a big hit.

Meanwhile, the focus of interest in electronics has shifted from entertainment to computing, as personal computers have encroached into the consumer electronics market. Last month's announcement that Sony was joining forces with Intel, the US semiconductor maker, to move into home computing signalled a significant change in strategy.

This move highlighted the growing influence of Mr Nobyukei Idei, Sony's president, at the expense of Mr Schulhof, who had seemed increasingly isolated since his mentor, Mr Morita, was succeeded as chairman by Mr Norio Ohga.

Mr Idei, 57, will now take control of Sony's US electronics operations. Mr Ohga will be in charge of entertainment with Mr Jeffrey Sagansky, who was hired by Mr Schulhof as his number two last year, reporting to him without any expansion of his existing responsibilities.

The decision not to replace Mr Schulhof has been interpreted on Wall Street as an indication that Sony is considering the sale of its entertainment interests.

There would, in theory, be no shortage of suitors for Sony's film and music companies which, in spite of their recent difficulties, are blue chip brand names with fabulous assets. A number of would-be bidders, including PolyGram, were furious last winter when Matsushita clinched a secret deal to sell control of MCA to Seagram, the Canadian drinks group.

However analysts suspect that Sony would be lucky to recoup the $9bn-plus it has already ploughed into its entertainment interests. Sony would also have to swallow a substantial foreign exchange loss (as Matsushita did with MCA) because the yen has risen so strongly against the dollar during its foray into Hollywood.

Alice Rawsthorn and William Dawkins

NY state seeks to buy Lilco in $4.5bn deal

By Richard Tomkins in New York

New York state's governor Mr George Pataki yesterday announced plans to break up and abolish the Long Island Lighting Company, a quoted US utility better known as Lilco, as part of a politically popular move to cut Long Island's electricity rates by 12 per cent.

The highly unusual proposal will involve taking Lilco's electricity grid out of private sector ownership and transferring it to the public sector. This will cost New York State $4.5bn, to be financed through the biggest bond sale in the history of the municipal bond market.

The rest of Lilco's activities, comprising its power generation plant and its gas business, will be auctioned off to other private sector companies.

Plans to nationalise Lilco were first drawn up more than a year ago by Mr Pataki's Democratic predecessor, Mr Mario Cuomo, who was fighting for re-election as governor of New York State. Long Island voters had been protesting that they paid the highest electricity rates in the US.

When Mr Cuomo was ousted by Mr Pataki, a Republican, it looked as though the plan would fold. Instead, Mr Pataki has announced a variation of the proposal which involves a slightly higher level of private sector participation.

Under the new plan, the Long Island Power Authority, an agency of New York state, will use a $4.5bn tax-exempt bond issue to buy out Lilco's grid together with all the company's debt and equity. The running of the grid will be contracted out to a private sector utility.

Lilco's power generation plants will be auctioned off "in logical groupings" to separate private sector companies, which will then compete to supply power to the grid.

Mr Pataki said the 12 per cent cut in electricity bills would flow from a reduction in debt costs because of the tax-exempt status of New York State's municipal bonds, and a cut in taxation because the Long Island Power Authority would be exempt from federal income tax.

Lilco's shareholders will be bought out with funds arising from the bond issue and the sale of the power plants, but it was unclear yesterday what price they would receive.

The company's shares were up $½ at $17 in early trading.

Bausch & Lomb reveals plan to improve profits

By Richard Tomkins

Bausch & Lomb, the US maker of contact lenses and sunglasses, yesterday met its institutional investors in an attempt to persuade them the company was capable of improving on its disappointing profits performance.

It said an important feature of its three-year strategic plan would be to move out of traditional contact lenses into the low-price, high-volume disposable contact lens market.

The day before, Mr Daniel Gill, chairman and chief executive, had taken the unusual step of asking the board for a 10 per cent pay cut. He also announced that salary increases would be postponed for all 30 of the company's senior executives "until earnings reach an acceptable level".

Bausch & Lomb had a difficult year in 1994, with full-year net income falling from $156.5m to $13.5m. Its contact lens business was badly hit by competition from its biggest rival, Johnson & Johnson, which dominates the growing market for disposable lenses. Its Ray-Ban sunglasses business was hit by changes in fashion to newer styles. In addition, the Securities and Exchange Commission started an inquiry into the company's accounting practices.

This year's figures have shown a gradual improvement, but on Tuesday the company announced that the recovery was not proceeding at the expected pace and warned that fourth-quarter earnings per share would be in the range of 40 cents to 50 cents – far short of the 77 cents expected by analysts.

The shares lost $2⅝ to $35⅝ on Tuesday and shed another $1⅞ to $33¾ in early trading yesterday, making a fall of almost 11 per cent over the two days.

Avenor set to buy back Pacific Forest shares

By Robert Gibbens in Montreal

Avenor, one of North America's leading pulp, newsprint and printing paper producers, plans to buy the 9.3m Pacific Forest Products shares it does not own at C$18 a share cash for a total C$167m (US$122m).

The price is 29 per cent above the 20-day average market level of Pacific up to December 4, and compares with a 52-week high of C$16¾. The bid requires 90 per cent acceptance.

Avenor took its Western Canada logging and timber producer public in 1993 under the name Pacific Forest. The recession was at its height and Avenor urgently needed cash. The price was C$13 a share.

Avenor kept 53 per cent control and Pacific continued to export 70 per cent of its timber production to Japan. Its logging and timber resources are partly on Vancouver Island and it supplies fibre to Avenor's Gold River pulp mill there. The other timberlands are on the southern British Columbia mainland.

The bid will be mailed by mid-January and will expire 21 days later.

Pacific's resource base and modern sawmills, geared to international markets, will be consolidated with Avenor's fibre resource base in eastern and western Canada.

Avenor is buying back the 47 per cent of Pacific just when most forest products prices are down from recent peaks. Early yesterday Pacific shares were at C$19, suggesting institutional shareholders are holding out for a higher price.

CONTRACTS & TENDERS

INTERNATIONAL COMPANIES AND FINANCE

High-tech bourse spurs on rivals

Bombay's NSE gained from the Reliance row, says Mark Nicholson

The result of the bitter tussle between the Bombay Stock Exchange, India's biggest stock market, and Reliance Industries, the country's biggest quoted company, is roughly a draw, according to Bombay market-watchers.

"There are no clear winners or losers – both sides are generally back where they were," said one broker after the textiles and petrochemicals group this week withdrew its threat to delist from the BSE.

The threat was prompted by the exchange's earlier three-day suspension of Reliance stock as punishment for alleged malpractice in issuance of duplicate shares.

There may, however, be one quiet winner from the complex and unseemly row: the National Stock Exchange, Bombay's second, and India's newest, bourse. "If anything beneficial came out of the affair," says Mr Ramchandra Patil, the NSE's managing director, "it was bringing the NSE into the limelight."

Reliance had asserted that if it did delist from the BSE, India's most heavily traded stock would anyway have a home on the NSE. At the height of the row, and fuelled by this statement, turnover on the NSE soared to outstrip that on the BSE. Last Friday it set a record Rs4bn in trade volumes – of which some Rs3.1bn ($88.93m) was in Reliance stock.

Peace between Reliance and the BSE may, for now, restore the 120-year-old bourse's trading pre-eminence over the one-year-old NSE. But Mr Patil is confident this will not endure. In the information technology age, he says, India's 23 regional stock markets – of which the BSE is by far the biggest – will become irrelevant and the NSE eventually predominant.

The NSE was created on the initiative of the Industrial Development Bank of India, the country's largest financial institution.

It was intended "to bring the best international practices into the capital market, to be a model exchange and to exert competitive pressures on the other exchanges," Mr Patil says. Owned by 20 of India's state financial institutions, and quietly encouraged by the government to spur reform in competing bourses, it has already had an impact.

The NSE began equities trading in November last year, launching India's first fully screen-based trading system, using software developed for the Vancouver Stock Exchange.

The NSE's launch in turn prompted the BSE to accelerate its own automation. It introduced its long-delayed Bombay On-Line Trading (Bolt) system in March this year. Other regional bourses are fast catching up. "Without the NSE, it would have taken the BSE 10 years to do what it has now done in one," remarks one Indian broker.

Today the NSE has 370 listed companies, against 4,400 on the BSE, but under present laws members can trade in a total of more than 1,300. Even more relevant to its growth, according to Mr Patil, is its national reach.

Using Vsat (very small aperture terminal) satellite links, the NSE allows traders across India near-instant access to a single, liquid market.

The NSE now has 600 Vsat-using members in 21 Indian cities and has contracted to provide a total of 1,750 links by the end of next year. Mr Patil reckons that 40 per cent of the exchange's business comes from outside Bombay.

Such national reach, possible because the NSE was established with the purpose of becoming a truly national exchange, deeply frustrates the BSE, whose president, Mr Kamal Kabra, openly acknowledges that the NSE poses a serious competitive threat to his bourse.

The BSE wants to extend its Bolt system across India, but has been prevented from doing so by laws which protect the jurisdiction of each of India's regional exchanges.

The NSE is also working on a series of further advances which, it believes, will further distance it from the pack of other bourses and, most particularly the BSE.

The NSE's seven-day share settlement system is already, by common market consent, more efficient and more toughly policed than that on the BSE, where share settlement can take three or more messy weeks.

Where up to one-fifth of trades on the BSE end up as "bad deliveries", Mr Patil claims a rate of only 0.4 per cent.

Moreover, the NSE, unlike the BSE, effectively insures members against counter-party risk, by itself buying out and paying off positions where settlement breaks down.

The NSE has won government approval to establish a separate clearing corporation which will hold a $75m settlement fund to formalise the present system.

Mr Patil says he intends to gain a triple-A credit rating for the settlement fund: "This will mean all settlements are absolutely guaranteed by the exchange."

The NSE is also planning to establish a share depository, to facilitate the shift from the present physical, paper-based share trading to a system of computerised book entry.

The IDBI and UTI, India's biggest mutual fund group, will be partners in the depository, which Mr Patil believes could be operating in eight months.

The NSE also has a team working to improve the market's present index with a view to introducing index-based futures instruments. No formal futures trading exists in India.

Such reform-mindedness has won the NSE admirers, notably among foreign institutional investors operating in Bombay. Not only is the newer exchange free to develop without the accumulated baggage of 120 years of often antiquated regulations, but many foreign investors also regard its management as more "business-like" than the "clubby" BSE, which is owned and run by Bombay's brokers.

Nevertheless, the BSE remains India's biggest, deepest market and one which serious investors cannot ignore. A clear illustration is the fact that W.I. Carr, the Hong Kong securities firm, this week paid just over $1m for a seat on the BSE, and Barings Securities, the UK securities firm recently taken over by ING of the Netherlands, recently paid just over $1m for a seat.

Whether, as Mr Patil asserts, the NSE emerges as "the biggest exchange, with the distance between us and the rest becoming increasingly large in the next few years," remains to be settled. That the rivalry between the NSE and the BSE will be the primary motor for further reforms to India's stock markets appears certain.

Tony Andrews

Under pressure: Bombay Stock Exchange admits NSE is a threat

Agreement close on Philippine oil buffer fund deficit

By Edward Luce in Manila

The Philippines' three oil companies are close to reaching an agreement with the government over the growing oil buffer fund deficit, which has threatened to blow a hole in their balance sheets.

Executives for the three companies – Caltex (Philippines), Shell Pilipinas, the local arm of the Anglo-Dutch group, and Petron, the privatised company 40 per cent owned by Saudi Aramco – met senior government ministers this week and said the two sides were nearing consensus.

According to Mr Reinier Willems, chief executive of Shell in Manila, the government has agreed to study a proposal for the three to defer payments of duty on the sale of petrol until oil price rises are officially approved next year.

"At last the government appears to understand our case," Mr Willems said. "They have agreed to look closely at our proposal."

The buffer fund deficit, which has reached 7.6bn pesos ($290m) and has kept local petrol prices well below world market levels, is being met by company debt in lieu of government payment.

The three companies , which have lobbying hard for an instant reimbursement, have complained that the government's plan to repay the debt without interest means they will lose large sums of money.

Mr William Tiffany, head of Caltex in Manila, also urged the government yesterday to scrap plans to impose a 10 per cent value added tax on oil company service charges.

The tax, which is scheduled to come into effect in January, is expected to reduce oil company net profits by about 10 per cent, according to some estimates.

The government has not yet given a date for liberalisation of oil prices.

However, officials say the next price rise approval will take place after the end of the calendar year, coinciding with the three companies' financial year.

This means the three groups are almost certain to record lower net profits than in 1994.

Thai mobile phone operators upbeat on regulatory changes

By Ted Bardacke in Bangkok

Advanced Information Services and Total Access Communications, Thailand's two main mobile phone operators, are facing tough regulatory changes but both are confident that they are in a position to drive a hard bargain with the government.

The two operators, with a virtual duopoly over the industry, will soon be called into negotiations in which the Thai government hopes to strip them of their exclusivity, convert their concessions to licences and then open up the market to new groups.

It is the latest move in the government's attempt to extract itself from a regulatory mess caused by concessions handed out across the telecommunications industry.

"Yes, these companies live in regulatory madness," said Mr Paul Ngo, a telecommunications analyst with Baring Securities. "But the downside of that uncertainty is actually quite low."

Both companies maintain that even when new competitors enter the market it will take at least three years to set up a nationwide network.

"I've already built two mobile networks and I know you can't just flick a switch and get a system going," said Mr Traian Stanescu, general manager of TAC.

"We've been able to start in Bangkok and then move out to cover the rest of the country. A newcomer will have to have nationwide coverage and a perfect service from day one, or no one is going to sign up."

In the meantime, both Advanced, with more than 600,000 subscribers, and TAC, with about 450,000, will continue to sign up subscribers. They are each expected to have more than 1m subscribers before a competitor has even one.

Because these subscribers are the first to sign up, they tend to be high volume users. A potential competitor can therefore be left with slim pickings.

The high cost of handsets and their inability to be switched between systems has increased customer loyalty to a particular company.

With monthly fees and call charges already some of the lowest in the world, there is little room for a newcomer to give away handsets subsidised by high call charges, as is the case in the US and the UK.

The companies contend that unless the Thai government is able to change the entire legal framework governing the telecommunications industry, it will not be able to remove their exclusive contracts without risking a conflict.

In the words of one Advanced executive, such a move would create "a nasty court battle, bad international publicity and falling share prices, which will drag the whole stock market down. We are willing to give, but they will have to give as well."

The companies feel they are on a strong footing and are seeking a liberalised industry with no government revenue sharing, currently 20 per cent of gross revenues for Advanced and 25 per cent for TAC, and some form of "compensation".

That compensation is likely to take the form of a licence to operate fixed lines.

The Thai government will soon divide the country into six zones, and Shinawatra and United Communication, the parent companies of Advanced and TAC, will probably be allocated a zone.

Telecom Asia and Thai Telephone and Telecommunication, the two existing private fixed line operators, are considered the most likely to apply for the new mobile network licences.

● Circuit Electronic Industry, a Thai producer and exporter of printed circuit boards, plans to float 12.5m new shares through an IPO ing, AP-DJ adds. Dhana Siam Finance and Securities, lead underwriter, said the price is expected to be Bt45-Bt50.

ASIA-PACIFIC NEWS DIGEST

Yannon probe set to last into 1996

The Australian Securities Commission, the securities industry watchdog, said yesterday that it did not expect to complete its investigation into the "Yannon transaction" – which sparked a row over corporate governance at Coles Myer, Australia's largest retailer – until early next year.

The commission's inquiries, which had been expected to end before Christmas, are likely to be crucial to the question of whether any legal action is pursued over the Yannon issue. The complex Yannon deal cost Coles A$18m (US$13.28m), and indirectly benefited interests related to Mr Solomon Lew, Coles' former chairman, by a like amount.

Meanwhile, Coles yesterday failed to have claims for wrongful dismissal filed against it by former finance director, Mr Philip Bowman, struck out. As a result the retailer will have to file a defence by mid-December. It was the sacking of Mr Bowman in September which brought the Yannon transaction to light. *Nikki Tait, Sydney*

Genting finds 189,000 fake shares

Genting, the Malaysian investment holding group, said 189,000 forged shares had been discovered in its month-long share recall operation. The company said about 267m shares of its 702m share capital base had been verified as genuine and would trade under the scripless system from today.

The Kuala Lumpur Stock Exchange suspended Genting from trading on October 30 when fake scrips were discovered. Genting said shares held by Kien Huat Realty were among the 435m shares not sent in for verification. Kien Huat has a 40 per cent stake in Genting, which said Kien Huat was unlikely to send in its shares because it would not want to trade them. Genting added that investors who wanted to trade Genting shares from tomorrow would first have to send them for verification and conversion into the scripless trading system. Apart from Kien Huat's holding, about 22 per cent of the share capital – or 154m shares – has not been sent in for verification.

■ Metrod, seeking a listing on the Kuala Lumpur Stock Exchange, is offering 8m shares to the public at M$3.20 each. Metrod, which has a paid-up capital of M$32m (US$12.6m), manufactures copper wires and rods through Malaysian and Indonesian subsidiaries. The group has a combined production capacity of 89,000 tonnes of copper rods and wires a year. It made a pre-tax profit of M$8.83m in the first seven months of this year, against M$13.43m for the whole of 1994. *Reuter, Kuala Lumpur*

Republic Cement seeks finance

Republic Cement, the Philippine cement maker, is seeking Securities & Exchange Commission approval to raise its authorised capital from 700m pesos to 1.5bn pesos ($57.28m). The increased authorised capital would cover the 40 per cent stock dividend declared by the company and approved by shareholders in September. The increase is also meant to partly finance the company's expansion project, which is estimated to cost 2.9bn pesos. The project involves setting up a cement manufacturing facility with a daily capacity of 3,300 metric tonnes.

A major part of the project was financed through a 1.48bn-peso loan from banks and other financial institutions, as well as through private placements and the issuance of convertible bonds with non-detachable warrants amounting to 1.29bn pesos. The balance of the cost will be raised through a planned rights offer and a secondary offering next year involving 125m shares at 4 pesos each. *AP-DJ, Manila*

LEGAL NOTICES

PERSONAL

One-off costs cut NFC to £38.6m

By Geoff Dyer

Fierce competition and a series of one-off costs led NFC to record a 25 per cent fall in annual operating profits, in what the transport and logistics group described as its "annus horribilis".

The shares fell 10p to 139p after the profits came in well below analysts's expectations, the fourth quarter in a row that the group has undershot City forecasts.

Pre-tax profits in the year to September 30 were £38.6m ($61m), against £105.6m, after the group took an exceptional £35m restructuring provision.

The group, which has been criticised for complacency in recent years, has undergone significant senior management changes, including five new board members this year.

Mr Gerry Murphy, chief executive since June, said the group had used £27.7m of the £57.2m restructuring provision taken over the last two years, and had reduced the workforce by 1,000.

Analysts were impressed by the actions of the new management team. However, they said they were worried that the restructuring might not produce the required growth.

Mr Murphy said the drop in operating profits to £88.2m (£118m) reflected a £10m boost last time from one-off considerations. This year's profits had been held back by special factors, including a large customer bankruptcy in the US and high litigation and claims costs, which analysts estimated were between £5m and £10m.

Business strategy beginning to show results

Bass's £599m beats forecasts

By Roderick Oram, Consumer Industries Editor

Brisk growth from managed pubs, soft drinks and Holiday Inn hotels drove Bass's pre-tax profits up 11 per cent to £599m ($946m) in the year to September 30, exceeding most City forecasts.

Its shares closed up 26p to 695p as some analysts raised marginally their forecasts to about £660m pre-tax this year and £725m next.

"We are starting to see Bass firing on all cylinders and outperforming its peer group in almost all sectors," one analyst said.

The flattest areas were leisure and brewing but analysts found some comfort in their performance. Impending liberalisation of bingo, amusement machines and other forms of betting to counter the National Lottery should help leisure improve on its unchanged profits.

"Our businesses – food, drink, hospitality and electronic entertainment – are converging," said Sir Ian Prosser, chairman. "All the businesses are focused on the end consumer and ... the strategies we are pursuing are beginning to come through."

Bass is pursuing several thrusts across the group, he added. It is upgrading its pub and leisure properties and raising standards of its franchised Holiday Inn hotels; increasing product innovation, particularly in alcoholic and soft drinks; and seeking cost reductions and acquisitions.

Sir Ian Prosser: 'strategies are beginning to come through'

Sir Ian declined to comment on City speculation that Bass might bid for Ladbroke Group, the Hilton hotel and betting shop group, or Allied Domecq's half share in the Carlsberg-Tetley brewing joint venture.

Most analysts believe the majority of acquisitions will be small bolt-ons.

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RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Avon Rubber	Yr to Sept 30 ★	306.5	(280.2)	16.2	(8.28♠)	40.9	(13.6)	12.35	Feb 5	11.5	17.7	16.5
Bass	Yr to Sept 30	4,541	(4,452)	599	(552)	43.4	(40.1)	15.6	Feb 12	14.5	22.7	21.1
Berisford	Yr to Sept 30	403.2	(157.5)	26.9	(3.2L♠)	15.7†	(2.1L)	2	Jan 24	0.5	3	0.5
Blick	Yr to Sept 30	56.8	(51.3)	14.2	(12.3)	34.2	(28.7)	9	Apr 3	8	13	11.5
Border TV	6 mths to Oct 31	6.3	(5.59)	1.11	(0.849♠)	6.5	(6.1)	2.2	Mar 11	1.9	-	4.8
BTP	6 mths to Sept 30	188.9	(161.3)	21	(18.1)	9.07†	(8.83)	3.85	Feb 12	3.75	-	10.9
Butte Mining	Yr to June 30	1.36	(0.041)	0.339♠	(0.351L♥)	0.14	(0.15L)	-	-	-	-	-
Caffyns	6 mths to Sept 30	63.1	(61.4)	0.291	(0.336)	5.8	(7.2)	5	Jan 12	5	-	11.5
Carlton Comms	Yr to Sept 30	1,580	(1,405)	246.7♠	(190.2♥)	65.3	(53.8)	14.3	Apr 9	12.5	23.6	20.65
Celltech	Yr to Sept 30	17.1	(14.2)	5.4L	(6.9L)	8.5L	(11L)	-	-	-	-	-
Chamberlain Phipps	6 mths to Sept 30	76	(66.6)	2.81♥	(4.46)	4.2†	(7.9)	2.7	Feb 6	2.7	-	8
Claythithe	6 mths to Sept 30	14.3	(13.6)	0.166	(0.301)	0.6	(0.4)	0.88	Feb 6	0.8	-	3.05
Denby	Yr to Sept 30	25.8	(21.9)	4.76	(4.13)	9.6†	(9.2)	2.3	Mar 9	1.4	3.45	1.4
Expro Intl	6 mths to Sept 30	37.3	(36.3)	6	(4.71)	7.5†	(10.6)	2.3	Jan 30	-	-	-
Hill Hire	6 mths to Sept 30 ☆	8.61	(5.96)	1.47	(0.933)	4.5	(3.92)	1.23	Jan 31	-	-	1.12
NFC	Yr to Sept 30 ★	2,201	(2,058)	38.6♠	(105.6♥)	2	(11.2)	2.6	Apr 10	2.6	7.1	7.1
Penna	6 mths to Sept 30	6.84	(4.91)	0.35	(0.14)	3	(1.8)	1	Jan 17	1	-	1
Robert Wiseman	6 mths to Sept 30	58.9	(49.4)	3.92♠	(2.95)	3.79	(3.24)	1	Feb 22	0.9	-	2.75
Sterling Pub	6 mths to Sept 30	17.4	(24.9)	2.79L	(1.38)	6.7L	(1.5)	-	-	0.7	-	3.6
SWP §	Yr to June 30	8.33	(9.86)	0.749L♠	(0.251)	4L	(0.7)	-	-	-	-	-
WT Foods	6 mths to Sept 30	11.7	(10.8)	0.3♠	(0.736)	0.22	(1.24)	0.5	Apr 1	0.5	-	2.5
Wellman	6 mths to Sept 30	56.8	(26.6)	4.09	(1.88)	2.3†	(2.7)	0.45	Feb 10	0.4	-	1.6
Investment Trusts		**NAV (p)**		**Attributable Earnings (£m)**		**EPS (p)**		**Current payment (p)**	**Date of payment**	**Corresponding dividend**	**Total for year**	**Total last year**
Fleming Indian	Yr to Sept 30	61.1	(95.9)	0.234L	(0.474)	0.28L	(0.56)	nil	-	0.45	nil	0.45
Northern Investors	6 mths to Sept 30	372	(338)	0.146	(0.118)	3.9	(3.2)	2	Jan 25	1.5	-	6

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ★ Comparatives restated. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ☆ Comparatives pro forma. §USM stock.

BTP bucks weak trend

By Motoko Rich

BTP, the speciality chemicals company, bucked the weak trend in the sector to raise interim pre-tax profits by 16 per cent from £18.1m to £21m ($33m). Buoyed by its industrial safety and biocides and fine chemicals divisions, the group overcame raw material price rises and squeezed margins in the six months to September 30.

Mr Steve Hannam, chief executive, said: "It was a tough first half with raw material price rises, but once again we were protected from the worst ravages by our spread of businesses across the group."

The group also announced it was buying a manufacturer of soap ingredients for $5.5m (£3.48m) from Monsanto, the US chemicals company.

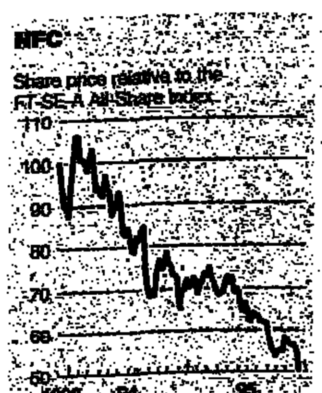
Sales rose 17 per cent to £188.9m. The pre-tax line was helped by interest charges reduced to £581,000 (£1.6m) following February's £51.9m rights issue.

The biocides and fine chemicals division raised operating profits by 33 per cent to £11.4m. The industrial business lifted operating profits 38 per cent to £4.6m (£3.3m). Raw material price rises depressed margins in the adhesives and textile coatings business, where operating profits fell to £2.1m (£3.4m). Mr Hannam said maintained margins would have added £2m to operating profits.

Earnings per share rose to 9.07p (8.83p). The interim dividend was raised 5 per cent to 3.85p (3.68p). Its shares rose 12p to 271p.

LEX COMMENT

NFC



NFC may be under new management but the flow of bad news has not been stemmed. With yesterday's dreadful full-year results, the UK logistics company would like to draw a line under the old régime. But the company's problems are too fundamental to be solved by a new face – however good – at the top. The reason is that its markets are badly oversupplied; aggressive competition has driven margins down and there is no sign of its abating. In this environment, the management's aggressive cost-cutting is essential. But NFC's competitors are cutting costs too, so it has to run hard just to stand still.

NFC's big customers will do their best to prevent cost reductions resulting in higher margins – they will want price cuts instead, and in an oversupplied market they have a strong negotiating position.

To achieve its target dividend cover of two times by 1997-8, even assuming healthy volume growth, NFC would have to improve margins by more than 50 per cent – which looks wildly optimistic.

Even if investors believed the target would be met, the shares would still not look particularly cheap. Earnings in line with the target in 1997-8 would put the current share price at only a 10 per cent discount to the market. This looks modest: with customers increasingly reluctant to give them the protection of long-term contracts, logistics stocks are much more vulnerable to volatile demand than they were.

If evidence were needed that they do not make a good defensive investment, NFC's own record is eloquent.

DIGEST

US sale completes GKN disposals

Sir David Lees, chairman of GKN, yesterday said the engineering group had completed its programme of selling off non-core businesses with the $80m disposal of a US replacement car parts distributor. The Memphis-based Parts Inc is being sold to APS Holding, the national distributor of car parts to the US automotive aftermarket based in Houston.

GKN said the price, payable in cash, included a premium over net tangible asset value of $6m. After taking goodwill and costs of disposal into account, an exceptional charge of $16m will appear in the 1995 accounts.

Shares in GKN rose 5p to 814p on news, which was welcomed by analysts who said they had long been waiting for the disposal of PI, which they considered a non-core underperformer in the GKN portfolio. In February, GKN severed its ties with the steel industry by selling its minority stake in UES Holdings to British Steel for £93m. *James Harding*

Kingfisher recovery seen

Shares in Kingfisher, the retail group comprising B&Q, Woolworths, Comet, Superdrug and France's Darty fell 7p to 508p yesterday, in spite of news that third quarter sales rose 4.8 per cent. Some analysts said they had hoped for better figures in the trading statement. But others said they showed that the group was continuing its recovery after a profits fall last year led to the departure of four directors in January.

"There is a recovery taking place," said one analyst. "It is a question of judging the pace of that recovery, and whether it is just a short-term recovery from last year's mistakes, or whether it is sustainable." *Neil Buckley*

EC to look at Amec bid

The European Commission has opened a preliminary investigation into a £360m ($569m) hostile bid for Amec the UK construction company, by Kvaerner a Norwegian ship-building and engineering group group. According to a statement in the European Official Journal the bid fell under the scope of the European Union's merger regulations designed to protect fair competition.

Clifford Chance, Kvaerner's lawyers said yesterday: "These are the normal procedures, and we are confident that the acquisition will be cleared within the standard one month period. *Andrew Taylor*

Fury at pay-off for Raine chief

By William Lewis and Andrew Taylor

Institutional shareholders have reacted with fury to a £472,000 ($746,000) pay off to Mr Peter Parkin, former chairman of Raine, the struggling construction and house building group.

"This is one of the most crass examples of payment for failure I ever seen," one institutional shareholder said.

Since the beginning of 1993 Raine's share price has underperformed the sector by more than 85 per cent and in April Mr Parkin was forced out.

In November Raine reported pre-tax losses of £101.8m for the 12 months to June 30 and gave details of a rescue refinancing by the group's banks.

Two shareholder groups said yesterday that they had considered whether action could be taken to reverse the pay out, but have concluded that nothing can be done.

Six groups exit in FT-SE changes as Grid moves in

Philip Coggan on some of the most sweeping changes to the index since its creation in 1984

Six new companies are to join the UK's leading stock market benchmark, the FT-SE 100 Index, in one of the most sweeping changes since the index was established in 1984.

Inclusion in the index brings prestige to the constituents and increased demand for shares from investors, as index-tracking funds are forced to include the stock in their portfolios.

For the same reason, demotion from the index will lead to sales by tracker funds.

One change had to be made to the index to accommodate the arrival of National Grid, the power transmission group, which is being demerged from the regional electricity companies.

On December 11, National Grid will replace Inchcape, the international marketing and services group, which has suffered a sharp share price fall this year in the face of declining profits.

Speculation that Inchcape was headed for the drop had caused its share price to slump ahead of yesterday's announcement. Inchcape had fallen to 131st in the ranking of companies by market capitalisation; a fall below 110th place normally means demotion from the FT-SE 100.

The other five changes to the leading index come as part of the quarterly review of constituents conducted by the FT-SE Actuaries UK Index Committee.

Partly because of the National Grid demerger, two regional electricity companies, London and Midlands, will drop out of the FT-SE 100 on December 18.

The others to be demoted are Arjo Wiggins Appleton, the paper company which recently announced a profits warning, De La Rue, the banknote and security printing company, which also warned of declining profits, and Sears, the retailing group which produced disappointing interim results in September.

Two retailers Burton Group and Argos, are among the five companies to join the leading index

Shares in all three have fallen sharply recently. Arjo, which yesterday fell 5p to 166p, had traded at 315p in April 1994; De La Rue, down 5p at 655p yesterday, was £10.50 in March this year; and Sears, up 1p at 98.5p yesterday, was 120.5p earlier in 1995.

Two retailers, Burton Group and Argos, are among the five companies to join the leading index.

Last month, Burton, which operates retail chains such as Debenhams and Top Shop, announced more than doubled pre-tax profits. Argos, which sells via in-store catalogues, has been achieving strong sales growth.

Also joining the FT-SE 100 are Pilkington, the St Helens-based glass manufacturer, Smiths Industries, the aerospace, medical systems and industrial group and Foreign & Colonial Investment Trust, the international fund which is widely held by private investors.

The committee also announced a reserve list of companies which will join the leading index should any constituents drop out before the next review on March 6.

The six are Next, the clothing retailer, Mercury Asset Management, the fund management group, Dixons, the electrical retailer, Anglian Water, the privatised utility, Greenalls, the pubs group, and MEPC, the property company.

Among the new entrants in the FT-SE Mid 250 Index, the market's second tier, is Cordiant, the advertising group formerly known as Saatchi & Saatchi.

صكرا من الاصل

WORLD NUCLEAR INDUSTRY

Far East builds new capacity but west's commitment falters

The Chernobyl accident led to a decade-long slowdown in the industry's growth. Developing countries in the Far East are setting up new power plants but construction by developed nations is almost at a standstill, writes David Lascelles

Next April marks the *tenth anniversary of* the explosion at the Chernobyl nuclear power plant in Ukraine, an event which has left an indelible mark on the nuclear power industry.

The nuclear sector is awaiting the occasion with mixed feelings. Many of its members view it with dread, knowing that it will generate huge amounts of bad publicity as the media pick over the deaths and destruction it caused. Others see it positively, as an occasion to highlight the progress the industry has made since then to raise its standards and transform itself into a safe, efficient and even environmentally-friendly source of power. At the last count more than 30 countries relied on nuclear power and there are 50 nuclear stations either under construction or recently completed.

The positive message will be the harder of the two to sustain, even though the industry is naturally optimistic. Chernobyl marked the beginning of a levelling off in the development of world nuclear power. Present trends do not point to a strong upturn in future.

The ten years leading up to *the disaster were the heyday of* nuclear power. Its share of electricity generation trebled, from 5 per cent to 15 per cent. *Since Chernobyl it has only* managed a small increase, to 17.5 per cent. According to the International Atomic Energy *Agency (IAEA) in Vienna the* rate of growth of nuclear power output fell over the same period, from 24 per cent a year to barely 3 per cent.

Many industries would be pleased with annual growth of even 3 per cent. But compared with what went before, the trend raises questions about the future direction of the industry.

Since the accident at Chernobyl nuclear construction has largely shifted to the Far East. According to the IAEA five nuclear stations are under construction in Japan, five in India, and six in South Korea. Taiwan, which is not an IAEA member, also has a big nuclear programme. The enormous potential growth of Far Eastern electricity demand is providing the nuclear power industry with a much-needed morale booster.

> Ironically the work of closing down old plants safely is giving the industry a boost

Much of the slowdown can be blamed on public hostility, particularly in western industrial nations where, with the notable exception of France, no new nuclear capacity is being built or is in prospect. Most countries have banned new nuclear construction or even plan the mandatory closure of plants. In the remainder the political climate would not permit new nuclear construction to go ahead.

There are other reasons for the slowdown. First-generation nuclear power stations built in the 1950s and 1960s are reaching the end of their lives. Plant closures are eating into capacity. That trend will accelerate over the next decade. Apart from France and the UK, where the recent completion of Sizewell B offset the loss of old magnox stations, redundant nuclear capacity is not being replaced.

Another uncertainty surrounding nuclear power is waste disposal. Traditionally spent fuel has been reprocessed into fresh fuel, with militarily-useful plutonium emerging as a by-product. But the end of the cold war has transformed the economics of nuclear fuel by producing an abundance of uranium and killing off military demand for plutonium.

The high cost and public unpopularity of reprocessing has forced the nuclear industry and governments to look for alternatives. These pressures emerged a year ago when two German nuclear utilities decided to cancel their reprocessing contracts with British Nuclear Fuels (BNFL) and store their waste instead.

A lack of consensus on the *best method of waste storage* presents a further problem. In the US the government is still years away from deciding on a *final disposal site for spent fuel* building up at power stations. The UK government opted earlier this year for deep disposal of intermediate level nuclear waste. But an experimental project by Nirex, the UK industry's waste storage arm, to build an underground laboratory has become bogged down in a planning inquiry.

These delays have prompted a wider debate over whether deep storage is the best answer. Alternatives such as surface storage are being considered more actively as cheaper and safer, because the material can be kept under better observation.

Although the nuclear power generators are confident they can deal with the waste problem, the issue is increasingly controversial and threatens to become an unwanted complication. The industry is particularly keen to avoid further increases in its costs because of the doubts that already exist about its competitiveness, thanks to its huge waste and *decommissioning* liabilities.

Ironically the strongest growth area in nuclear power is now in "end-of-life" and *waste management technology* and consultancy. The efforts being made to strengthen eastern Europe's nuclear power *plants have* provided a huge boost to this side of the business. Britain's fastest growing big exporter last year was *BNFL. Its foreign sales* nearly trebled to £45m.

Wider acceptance of the role the nuclear industry can play in combatting global warming would improve its prospects. As the only important energy source which does not emit the gases which cause the greenhouse effect it could help bring down carbon dioxide levels in the atmosphere.

Governments have recognised this potential but have yet to make policies conferring any advantage on nuclear power because of it. There have been only isolated moves to introduce taxes on carbon emissions from fossil fuel plants, or to devise accounting measures forcing them to "internalise" the costs they currently load on to the world environment.

Because of this the nuclear power industry feels that it has to compete with one hand tied behind its back. Uniquely among the big power sources nuclear is required to make provision for all its environmental costs: these are dominated by waste disposal and decommissioning.

Hence the industry's intense interest in the debate about global warming and the eagerness with which it presents itself as an environmentally-desirable option. Hence too its disappointment that the idea of a carbon tax has not caught on more widely.

The UK is about to provide a test of the economic viability of nuclear power with its proposed privatisation of British Energy (see story page 3). This newly formed company comprises the eight most modern reactors belonging to the state-owned concerns Nuclear Electric and Scottish Nuclear.

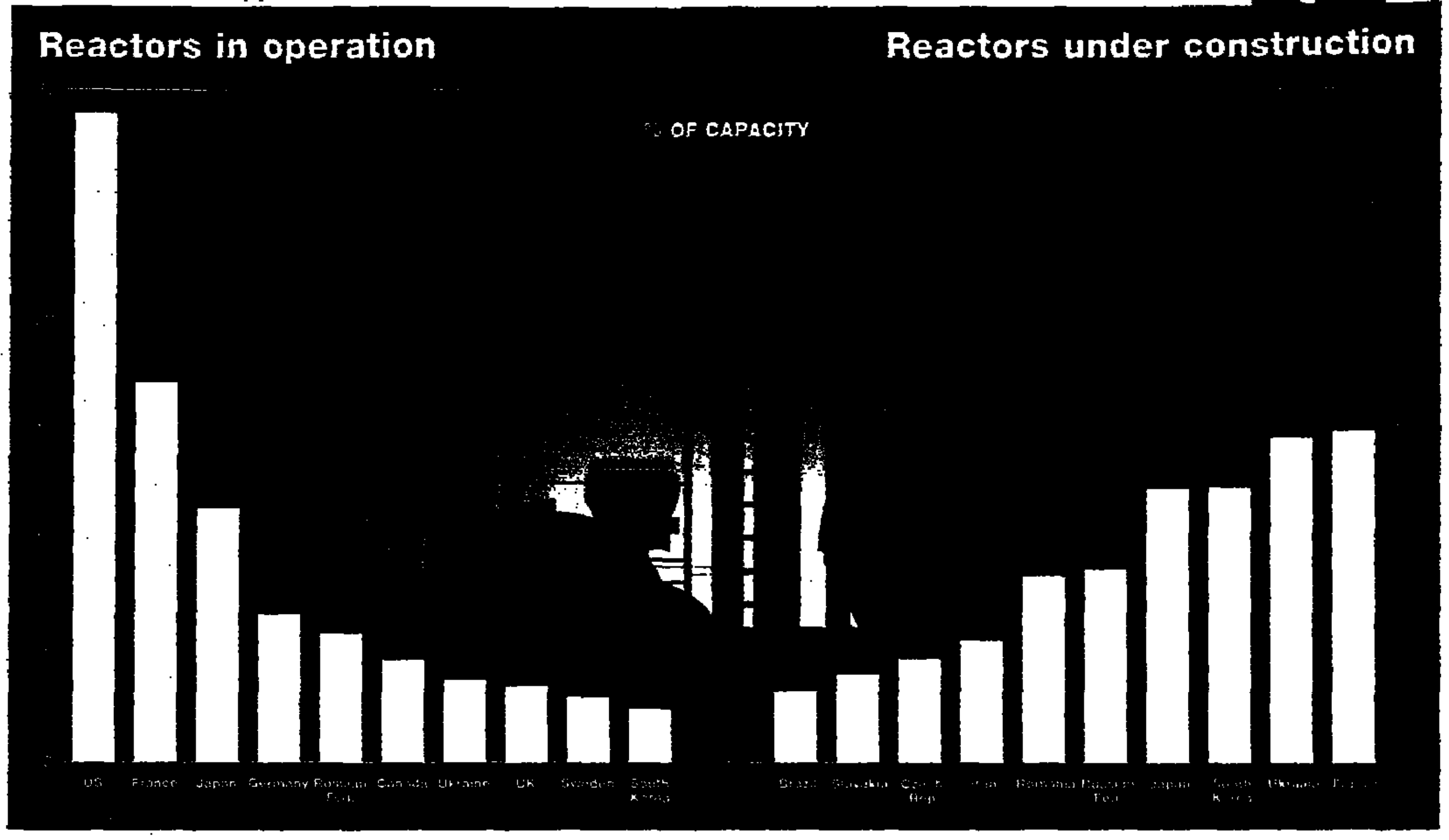
The proposed £2bn-£3bn flotation will show whether the financial markets are prepared to take on these stations' liabilities, and invest in the company's prospects, something they were not willing to do when the government last tried to sell off nuclear power generation in 1990.

The sale is still several months off but the feeling among City of London analysts is that it will succeed if the price is right. The industry has brought its costs down dramatically, shed its "boffin" image *and become more* bankable.

A successful sale would give nuclear power a big boost. But it will take more than that to underpin *the industry's* prospects. According to the IAEA several developments must come together to create a rosy future for the industry: strong electricity demand, greater public acceptance and the emergence of global warming as a key determinant of energy policy. This fruitful combination would produce a steady upward trend in nuclear capacity well into the second quarter of the next century.

But if demand is weak, public hostility continues and global warming fades as a policy concern the IAEA thinks *that nuclear capacity would* start declining in 2015 when current construction programmes are complete.

"Given these concerns, nuclear could either expand greatly or disappear completely in the next decades," says Mr Michael Jefferson, director of the British Energy Association. But he adds: "With current population growth trends the world is going to need all the energy it can get and nuclear will have to remain an option."



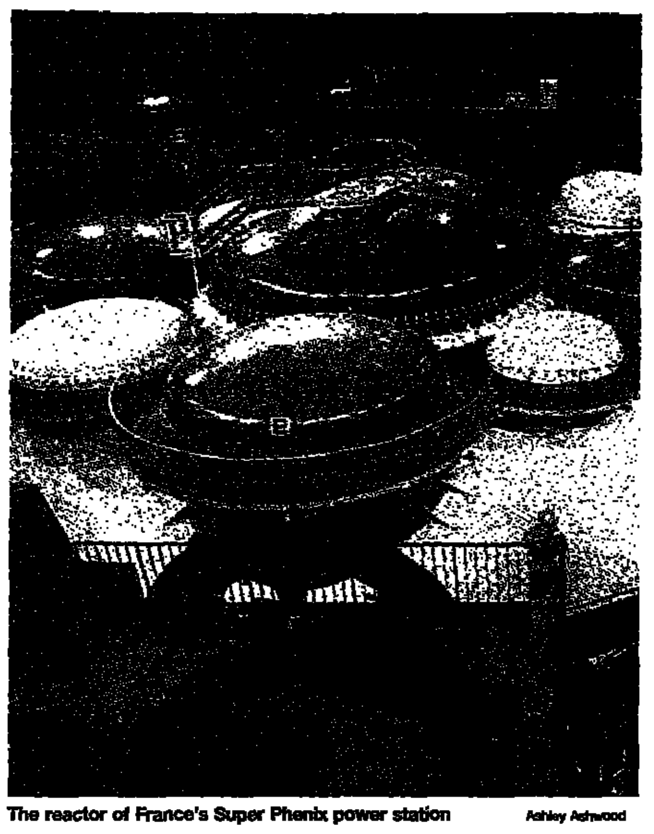
■ **Continental Europe:** by Henry Edwardes-Evans

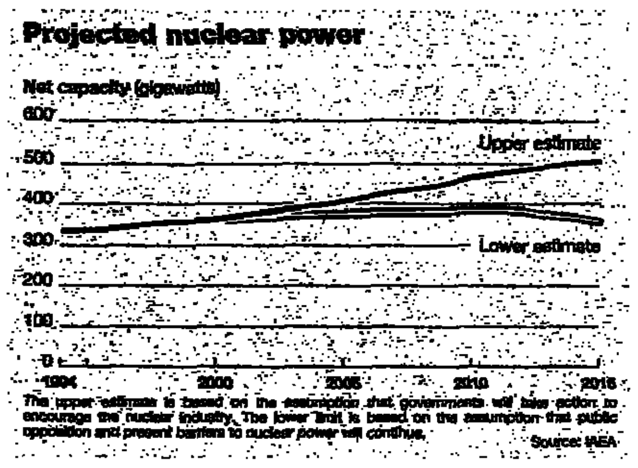
French retain their faith

The high cost of the energy source has led most countries in the region to reject it

France is the only country in continental Europe where nuclear power enjoys strong political and public backing. It brought one new plant into operation in 1994, the Golfech 2 pressurised water reactor, and is building four more. No other western European nation is working on new stations. The principal nuclear generating states – Belgium, Spain, Sweden and Germany – have all imposed moratoriums on building new plants.

Electricité de France (EdF), the country's electricity utility, does not intend to place any more orders until plans for the next generation of reactors, the European pressurised-water reactors (EPRs) are ready. It is unlikely that any new European projects will begin until 2000. After that nuclear power's future in Europe will depend on France and Germany developing new technology without strong commercial reasons for doing so.


The reactor of France's Super Phenix power station — Ashley Ashwood



The upper estimate is based on the assumption that governments will take action to encourage the nuclear industry. The lower limit is based on the assumption that public opposition and present barriers to nuclear power will continue. Source: IAEA

Building nuclear plants is expensive and slow. They are inflexible in operation and create tough waste storage problems. These characteristics are at odds with the short-term demands of a deregulated market. The impetus of European commerce is behind combined-cycle turbine technology, whether fired by gas now or by oil derivatives and plant material like wood and paper waste in future.

The nuclear industry's focus has shifted from building to maintaining plants, of which there are more than 140 in western Europe. A plant's technical costs rise steeply after 20 years in operation. This has hit the economic viability of the industry in Germany, Sweden and Spain. The only assured growth area is in decommissioning retired plant, a market where European companies have to compete with Japanese and US firms.

The industry's strong position in France is the result of the decision in 1973 to respond to the oil crisis by increasing its energy independence through a massive nuclear programme. This has secured its place as Europe's dominant power exporter. It provides more than 75 per cent of the power generated in France. It also exports electricity to other European countries.

Next to Denmark, EdF's industrial and commercial tariffs are the lowest in Europe. Paris remains resolutely long-term in its outlook and has maintained the company's research funding of FFr3bn (£390m) a year. This should help EdF to diversify its activities. Other European nuclear power generators may regret taking a more short-term approach to developing new technology.

The French government shows no sign of moderating its centralised, heavily pro-nuclear energy policy. This summer industry minister Yves Galland said privatisation of EdF was "unimaginable". On the same day 70 per cent of EdF personnel supported a strike against European Commission plans for a single electricity market. The administration realises that it would be political suicide to tamper with Europe's largest public utility.

Thousands of jobs are dependent on EdF and its two main suppliers, nuclear fuel company Cogema and contractor Framatome.

In addition to building France's four new plants Framatome is designing the next generation of reactors, the EPRs, in partnership with Siemens of Germany. These will replace PWRs around 2010.

German public antipathy to nuclear power is hardening into public protest. It would be no surprise if France is the only continental power developing new capacity by the turn of the century. Perhaps in recognition of this EdF has announced a joint venture with Elf Aquitaine to develop hydrocarbon-fired generation projects abroad.

Bonn maintains that Germany must have the option to build new reactors in future. Successive rounds of all-party energy talks have failed to clarify the country's future nuclear policy. Opposition Social Democrats are strongly anti-nuclear. An unofficial moratorium is set to continue.

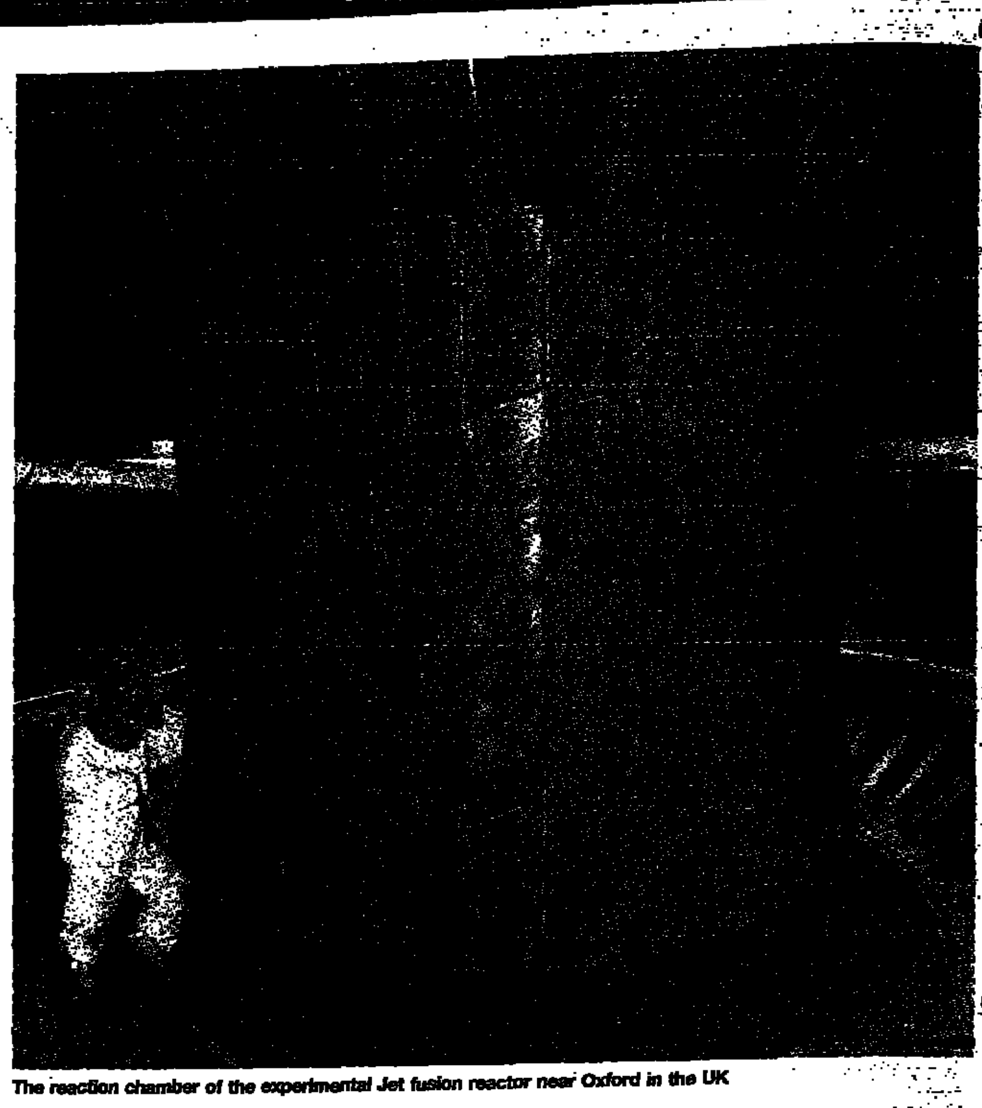
The government is sticking to its principle of disposing of Germany's own waste. This is despite violent clashes between protestors and police this year at Gorleben, when containers of waste were transported to intermediate storage for the first time. Twelve more transfers of waste are planned for next year, with fifteen per year thereafter until 2000.

Elsewhere nuclear power's future looks even bleaker. Spain's moratorium was extended to at least 2000 in its 1991 National Energy Plan. Plants in Belgium perform consistently well, but power utility Electrabel is steadily increasing its investment in combined-cycle technology as a long-term alternative to nuclear generation in case the 1989 nuclear moratorium should becomes permanent. Sweden is unlikely to build new plant.

Italy abandoned nuclear power following the explosion at Russia's Chernobyl plant in 1986. The energy source has made no contribution to generation since 1988.

The European nuclear industry has little choice in its home markets but to look after present assets and maintain an exemplary safety record. If and when demand for gas exceeds supply, it may have a broader role again.

Henry Edwardes-Evans is the assistant editor of the FT newsletter Power in Europe


The reaction chamber of the experimental Jet fusion reactor near Oxford in the UK

■ **Technology:** by Clive Cookson

Fusion will be the next leap forward

The industry may switch straight from improved conventional plants to fusion reactors

Progress proceeds at a glacial pace in the technology at the heart of the nuclear industry: the reactors themselves. With few new orders in prospect from Europe and north America, manufacturers cannot afford to develop new reactor designs. And governments, which used to provide lavish research funds, see the sector as a politically acceptable target for budget cuts.

So research and development has concentrated for several years on improving existing reactor designs – the pressurised-water reactor (PWR) and to a lesser extent its cousin the boiling water reactor. The aim is both to reduce costs by simplifying reactor designs and to improve safety by making them inherently resistant to disaster, even if operators behave with incredible stupidity or, by extraordinary bad luck, several key components fail at the same time.

The European pressurised-water reactor (EPR) is one result of this work. It was launched in 1992 as a 50:50 Franco-German partnership between Framatome and Siemens with support from utilities in both countries. It is now entering the final phase of the basic design process. This is expected to cost about £100m and last for two to three years.

The nuclear safety authorities in France and Germany have already approved the EPR's main security features. The two manufacturers hope that their joint venture, Nuclear Power International, will receive the first orders to build and install EPRs in 1998, in time for the reactors to start operating in 2005.

There is little scope for expanding the nuclear share of electricity production in France, where it is already 75 per cent according to the Paris-based Nuclear Energy Agency. But the first PWRs built in the early 1970s will need replacing early in the next century.

As well as the replacement PWR market in Europe, Nuclear Power International hopes the EPR will win business in Asia, the one continent where nuclear generation shows reasonable growth prospects. It will be competing with two advanced PWR designs being developed in the US: System 80+ from ABB Combustion Engineering and the smaller AP600 from Westinghouse.

Gas-cooled reactors – the mainstay of the British nuclear industry until it built a PWR at Sizewell B – no longer generate new commercial orders internationally. But government-funded development of gas-cooled reactors continues in the US, Russia and China.

Construction began this year of a 10MW high temperature gas-cooled test reactor, HTR-10, at the Institute of Nuclear Energy Technology near Beijing. Its helium coolant will be heated to 700°C at the reactor outlet in the first phase of the project and, if all goes well, to 950°C in the second phase. These temperatures promote efficient energy conversion.

China plans to build high-temperature gas-cooled reactors in addition to PWRs as its nuclear programme expands early in the next century. Advocates of the technology say that the "inherent safety" of these units surpasses that of the advanced PWRs.

The reactors discussed so far use "thermal" or "slow" neutrons to sustain nuclear reactions. Since the 1950s the industry has expected to move on to fast breeder reactors – so called because they use "fast" neutrons and "breed" new nuclear fuel by converting depleted or unenriched uranium into plutonium.

> Doubts about fast breeder reactors mean they are unlikely to enter service within the next 20 years

In August, Japan's new 280MW Monju fast reactor was connected for the first time to the grid. But this landmark could not disguise general worldwide disenchantment with fast breeder technology. With conventional nuclear fuel expected to remain cheap for decades to come – and plutonium proliferation politically unacceptable – there is little prospect that fast breeders will enter commercial service within 20 years.

Some experts believe that the nuclear industry may never build commercial fast reactors. Instead, it might move straight on to fusion reactors some time in the middle of the next century. These extract energy by combining light atoms rather than splitting heavy ones. The same process powers the sun and stars – and the hydrogen bomb – but has not yet been tamed for use in a nuclear power station.

Government support for fusion research has been suffering from budget cuts, particularly in the US. But there is still a reasonable chance that a global fusion project, the International Thermonuclear Experiment Reactor (ITER), will be built within the next 10 years, with Europe, Russia, the US and Japan jointly contributing several billion pounds of funding.

ITER would aim to demonstrate that a doughnut-shaped reactor could generate clean energy from a superheated plasma of hydrogen and deuterium, at a temperature above 100m°C. If so there is a chance that the dream of the middle decades of the 20th century of clean, cheap nuclear energy could come true – 100 years later.

■ **Asia:** by Frank Gray

Western industry's best prospect

China now leads developing Asian countries in increasing nuclear capacity

China wants to expand and diversify its energy sources. France requires an export market for its nuclear technology. Both needs are satisfied by a nuclear expansion project at Daya Bay, north-east of Hong Kong.

In October the Chinese government confirmed it would install two 985MW French-built, pressurised-water reactors at the site, which already has two French PWRs in place.

> Foreign contractors will help China boost its nuclear capacity

This means that France, through reactor supplier Framatome and Anglo-French turbines group GEC-Alsthom, is central to China's ambitious nuclear power programme.

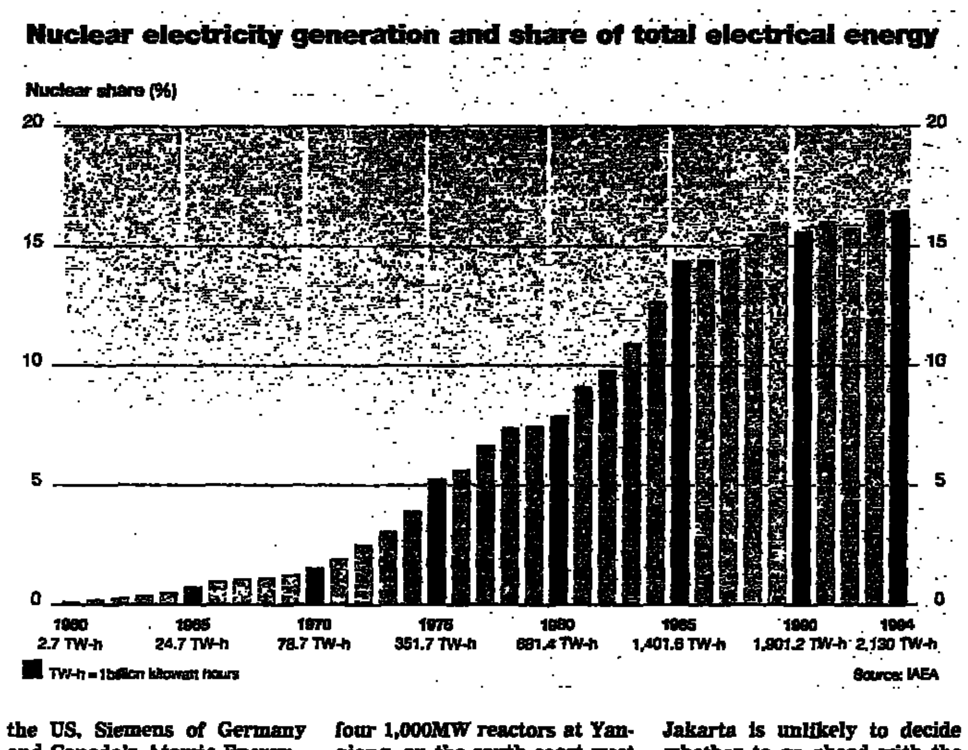
The deal is worth FFr10bn ($2bn), of which Framatome's share is FFr6bn and GEC-Alsthom's is FFr3bn. The balance will be made up of subcontracts to such companies as Electricité de France (EdF), which will supply staff and technical assistance.

The deal is important for several reasons: it is the only nuclear power contract awarded in Asia this year; it underlines China's commitment to build up nuclear capacity; and it shows France's determination to fight for power contracts.

EdF is the world's largest electric power utility. Its total capacity is 100,000MW. With the nuclear power industry in Europe and the Americas at a virtual standstill in terms of new projects, the Asian market is vital to the exports side of France's nuclear industry.

China is the most promising customer, given the fast rate of expansion of its power sector. Government officials say that Beijing has increased its forecast for nuclear power to 20,000MW of capacity by 2020. The Daya Bay complex will house 3,600MW of this total. Nuclear power's share of total output will be 5 per cent of all installed capacity by then. At present most electricity is generated with coal and hydro-electric power.

Foreign companies are likely to win the bulk of the contracts to boost China's nuclear power capacity. The front runners will be Framatome and its arch-competitors, General Electric and Westinghouse of the US, Siemens of Germany and Canada's Atomic Energy.



Source: IAEA

China's home-grown nuclear programme consists of a single 300MW plant now operating in Qinshan. It plans to install two additional 600MW units there and to build a 300MW unit for export to Pakistan.

China expects to build two 1,000MW units at Liaoning, near the North Korean border; four 1,000MW reactors at Yangiang, on the south coast west of Hong Kong; and four 1,000MW units at Sanmen on the south-east coast.

Indonesia has no nuclear industry at present. It recently commissioned two consultancies, Sargent & Lundy of the US and Newjec of Japan, to conduct final assessments of feasibility studies to start one. Jakarta is unlikely to decide whether to go ahead with the project for at least a year. The earliest date Indonesia's first nuclear plants could begin operating would be 2005.

India and Pakistan's refusal to sign the Nuclear Non-Proliferation Treaty denies them access to modern nuclear technology. As a result their home-grown nuclear industries are not significant in world terms.

Japan continues to set the pace for Asia's developed countries. It has 49 reactors in operation. These can produce 38,837MW, 31 per cent of all generating capacity. A further five under construction will add 4,775MW. The Institute of Energy Economics, a Japanese research group, recommended that Japan should aim to have 75,000MW-90,000MW of nuclear capacity by 2020 and 90,000MW-110,000MW by 2030.

These figures, though high, underline Japan's commitment to a bigger nuclear sector. This policy is only likely to change if substantial oil and gas reserves are developed off Sakhalin Island to the north of Japan, giving the country a home-grown fossil fuel supply.

South Korea also plans to expand. It has 10 reactors with 8,170MW of capacity in operation, a further 950MW unit nearly on line and five units under construction with the potential to produce 3,749MW between them.

Taiwan plans to install a two-reactor complex in the north part of the island. It already has six reactors with capacity of 4,884MW in operation. Beyond the two reactors at issue there is little prospect of the Taiwanese nuclear sector growing.

Frank Gray is editor of the FT newsletter Power in Asia

■ **UK:** by David Lascelles

Sell-off faces big challenges

The government will shuffle the industry's assets to prepare it for a testing privatisation

The UK has always been proud of the fact that it led the world into nuclear power generation. Now it is about to lead the world in another way: by becoming the first country to privatise its state-owned nuclear power industry.

The government's sell-off decision, announced last spring, is bold and potentially controversial. It raises complex technical and financial issues. And it provides ammunition to political opponents because of

Tim Eggar: says safety is an important concern Colin Beere

public concerns about safety and the huge profits made by the non-nuclear electric utilities, which have already been privatised.

Only part of the nuclear sector will be sold in the first instance.

The UK industry consists of two companies, Nuclear Electric, which runs twelve stations in England and Wales, and Scottish Nuclear, which has two stations in Scotland. Together, they generate about 30 per cent of the electricity consumed in the UK.

The industry is to be restructured for the sell-off. The six older magnox stations are to be hived off into a new company, Magnox Electric, which will be put under the control of British Nuclear Fuels (BNFL), the state-owned reprocessing company. The newer advanced gas-cooled reactor and pressurised-water reactor stations, including Sizewell B, which was only completed this year, will be put into a new company, British Energy, which will be sold (see accompanying profile).

This restructuring followed a heated debate in which Professor Stephen Littlechild, the electricity industry regulator, tried to persuade the government to split the privatised portion of the industry into at least two units to create more competition. But the government was advised by its merchant bankers that it would get a better price by selling the industry in one lump. This option proved irresistible to an administration facing a general election in the not-too-distant future.

The flotation, scheduled for next summer, is likely to raise between £2bn to £3bn according to power industry analysts. But a number of key points need to be resolved before it can go ahead.

One is safety. The prospects for the flotation were not aided by a £250,000 fine imposed on Nuclear Electric in September for an accident at its Wylfa station in Wales. Since then Mr Richard Killick, the former director of safety and quality at Scottish Nuclear, has warned that privatisation would lead to lower safety standards.

Mr Tim Eggar, the energy minister, says: "There is understandable concern about this, and I share that concern. We are not going to do anything that will imperil safety, and we have to convince investors that this will be the case."

Another question that will have to be answered before the sale can go ahead is how the industry will fund its long-term liabilities for waste disposal and decommissioning. Surprisingly the government is to phase out the 8 per cent levy currently added to the country's electricity bills to help meet these costs. This will leave the industry short of some £2bn.

The nuclear industry's large but unquantified liabilities were the main reason the government failed to privatise the sector with the rest of the electricity industry in 1990. Since then future costs have been much better described. But investors will still need reassurance they can be paid for.

A third issue is how the privatisation will be marketed.

> **Only a big promotional effort can overcome public prejudice**

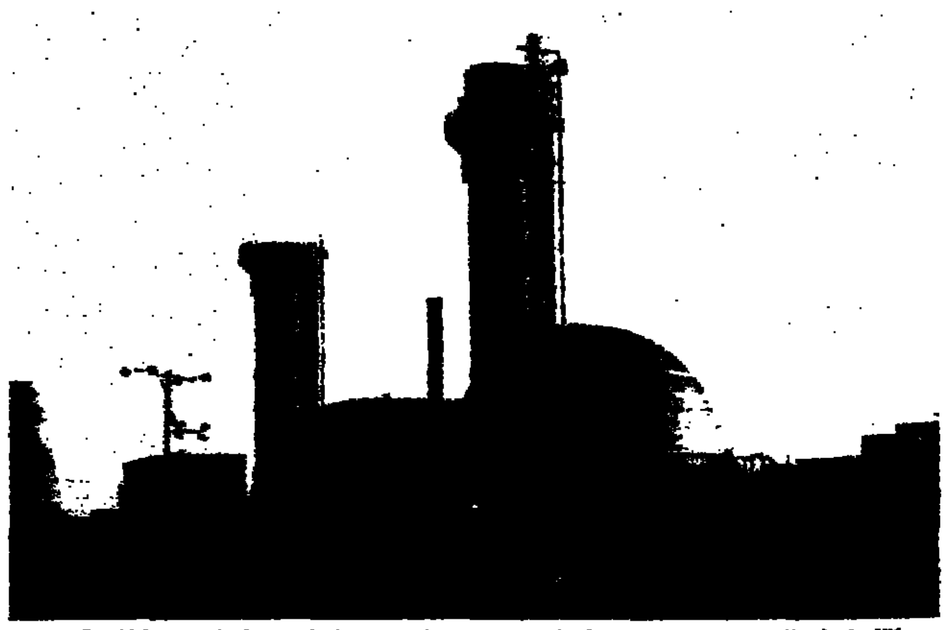
Shares will be offered both domestically and internationally to institutional and private investors. Government advisers have warned that a big information and education drive will be needed to overcome prejudice against nuclear power, particularly among retail investors. Institutional investors will probably judge the issue largely on whether the price is worth the risk.

The privatisation of the two companies will overshadow the restructuring of the part of the industry that will remain in public hands, though developments here also promise to be significant.

BNFL will become the custodian of the magnox stations which have an average of only seven years of active life remaining. Part of its job is to develop "end-of-life" technology: to extend the life of stations and decommission them after final closure. It is well qualified to make the most of the magnoxes, and to use them as a base from which to build a decommissioning business.

As the nuclear industry ages decommissioning will grow in importance. BNFL aims to become a world leader in this area, and could itself easily become a privatisation candidate later on.

Next summer the government will privatise another part of the state-owned nuclear industry – AEA Technology, the commercial arm of the former Atomic Energy Authority. The company is now one of the UK's leading scientific consultancies, not just in the area of nuclear technology but also in other industrial processes, including environmental control and power generation.



Sizewell B, which opened this year, is the most advanced pressurised-water reactor in operation in the UK

PROFILE British Energy

UK group unites early leaders

A new company called British Energy will appear on the world energy scene next year as a result of the privatisation of the UK nuclear business.

The company will have several claims to fame. It will be the world's first privatised nuclear utility. It will also be the only exclusively nuclear power generation company entirely dependent on nuclear plants, though as its name implies, it aims to be more than just an operator of nuclear power stations.

"We will be a major British company," said Mr John Robb, its chairman, unveiling a plaque bearing the company name in September. "By drawing on the management, commercial and engineering skills of the two companies, we are creating a group with potential to succeed in the wider energy market."

British Energy's assets will consist of the eight modern stations owned by the two present state-owned companies, Nuclear Electric and Scottish Nuclear. Seven are advanced gas-cooled stations (AGRs) – five from Nuclear Electric and two from Scottish Nuclear – and one is a pressurised-water reactor, the recently-completed Sizewell B.

The new company's staff will also be drawn from its two predecessors. Dr Bob Hawley, chief executive of Nuclear Electric, will take over as chief executive of the whole group. Dr Robin Jeffrey, chief executive of Scottish Nuclear, will become deputy chairman.

Designing the new structure required some political finesse. Scottish Nuclear fought a fierce battle to remain independent – with the support of the electricity industry regulator, who believed two privatised nuclear companies would strengthen competition.

Mr Robb was appointed as a chairman from outside the industry to ensure fair play. A tall, hard-edged businessman, Mr Robb was previously chairman of Wellcome before it was taken over by rival drugs group Glaxo. The location of British Energy's headquarters at Lochside Court on the outskirts of Edinburgh is also a goodwill gesture to the Scottish lobby. Mr Robb's tough approach, however, did not immediately win him friends in the company, and some executives complained of plummeting morale.

British Energy will be a formidable force in the UK power generation business, with a quarter of the electricity market and a market value of £2bn-£3bn. This will make it nearly as big as the present market leader, National Power. But since National Power is being ordered by the regulator to divest itself of 4,000MW of plant, British Energy could even emerge on top.

British Energy's drive will come from the vastly changed culture of the UK nuclear power industry since the 1980s. Unsuitable for privatisation only five years ago because of their bloated costs and incalculable liabilities, the two nuclear companies are now run as hard-nosed commercial concerns. They have cut costs and raised efficiency to the point where their AGRs are among the best nuclear stations in the world. They have also got to grips with the costs of waste disposal and plant decommissioning, and come up with figures which carry some credibility in the financial markets.

But British Energy will also face some handicaps.

For years, the state-owned companies were forbidden to sign up customers. They could only sell into the electricity pool, the wholesale market. So British Energy will be launched without a large customer base. It will also enter the private sector too late to join in the current buying spree for regional electricity companies – assuming the government would allow such a large generator to strengthen its market clout by buying a distribution company.

Bad timing will prevent British Energy from buying the coal-fired stations which PowerGen and National Power have been ordered to sell off. As a base load generator, the nuclear industry has little influence over electricity prices: these tend to be set by the marginal plant needed to match peaks in demand. But the opportunity to bid for the divested coal-fired plant will have passed by the time British Energy reaches the private sector.

John Robb: arbitrating between two camps Tony Andrews

The declining price of electricity in the UK will put further pressure on a nuclear utility whose costs are fixed and which cannot benefit from the falling price of gas.

But British Energy will be able to diversify in other ways. Mr Robb says his new company will do more than run nuclear power stations. He has so far declined to be more specific. But there is speculation in the electricity industry that he will steer British Energy into gas-fired power generation. The problem is that the UK already has surplus of generation capacity, so the opportunities for adding new plant are limited. The greatest scope will lie in replacing old plant, for example magnox stations, which will reach the end of their lives over the next ten years.

Whether British Energy would build another nuclear station is a moot point. Nuclear Electric has said it would like to build a third station at Hinckley Point. But UK public opinion might not accept an expansion of the nuclear industry. Sceptics also doubt that the huge cost of building new stations can ever be recouped.

One area British Energy is certain to cultivate is the construction of nuclear power stations in other countries. This was already a growing business for Nuclear Electric.

David Lascelles

■ **Military applications:** by Bronwen Maddox

The threat of proliferation is under control

An expanding civil nuclear industry has not resulted in an increase in nuclear arms

Since its earliest days the nuclear power industry has played down its connection with the military uses of nuclear fission. A reactor does not automatically provide the means to build a bomb, governments and companies committed to nuclear power have argued.

Nonetheless there are close technological links between civil and military applications. A civil nuclear programme does enable a country to make nuclear weapons. So for five decades governments with established nuclear capabilities have been seeking ways of permitting the industry to grow without weapons proliferating too.

The most difficult step for countries which want to make a nuclear bomb is acquiring fissile material – enriched uranium or plutonium capable of sustaining a chain reaction – rather than making the bomb itself. This material does not exist naturally and manufacturing it is complex and expensive.

One solution is simply to buy it from countries which have already refined it. Since the disintegration of the Soviet Union concerns have grown that nuclear material could be smuggled out of its arsenals, which at one point held more than half of the world's total of about 20,000 operational nuclear warheads. That fear has diminished, partly because the US has given Russia millions of dollars of aid for the safe dismantling of nuclear warheads.

Attention has now returned to a second, longer-standing concern: the possibility that countries could get enriched uranium or plutonium for military use from civil nuclear programmes.

Nuclear reactors generally use enriched uranium as fuel and generate plutonium as a by-product. Reprocessing old reactor fuel to extract reusable uranium also has potential military uses, as it simultaneously separates out plutonium from unwanted waste.

International efforts to prevent civil nuclear technology being abused for military purposes are represented in the Nuclear Non-Proliferation Treaty, extended indefinitely earlier this year. The NPT allows five countries to have nuclear weapons programmes – the US, China, the UK, France and Russia (formerly the Soviet Union). Other signatories have agreed not to develop them.

Under the treaty, the International Atomic Energy Agency (IAEA), the United Nations' nuclear watchdog, inspects the nuclear reactors of NPT signatories which have civil nuclear power but no weapons programme.

The IAEA's ability to detect abuses of civil programmes has been called into question, first by the uncovering of Iraq's weapons programme in 1991 then by suspicions that North Korea was also trying to develop its own nuclear capacity. The IAEA argues, with some justice, that such criticism is unfair.

The North Korean government's refusal to allow IAEA inspections drew attention to its military ambitions. International pressure appears to have steered the government into installing "light water" reactors, which produce less weapons-grade plutonium than conventional reactors.

Iraq's grandiose attempt to create weapons-grade fissile material from unrefined uranium, carried out entirely separately from its civil nuclear programme, is unlikely to be copied. The IAEA points out that despite anxiety about potential Middle Eastern nuclear weapons programmes, most countries in the region lack the funds or technological base for nuclear research. Egypt, Syria, Iran and Saudi Arabia, which are signatories to the NPT, have only small, laboratory-stage programmes.

Many agree with the IAEA that countries like North Korea and Iraq do not represent a real threat. Growing Asian enthusiasm for civil nuclear power may pose a greater long term challenge.

Japan provides an example: it has an extensive civil nuclear programme, with nearly 50 nuclear power plants and more on the way. It plans to produce tonnes of surplus plutonium over the next decade by reprocessing used fuel rods from reactor cores.

The Japanese government protests that it has no intention of using plutonium for military purposes. But other countries, particularly the US, are concerned that these stockpiles represent a potential weapons capability which will give Japan a dominant role in the region's diplomacy.

Those concerns cannot be dismissed entirely. Possession of stockpiles of fissile material equips a country to make nuclear bombs. The extension of the NPT and the willingness of nations with civil nuclear programmes to accept IAEA inspections give some comfort that this potential may not be realised.

■ **Chernobyl:** by David Lascelles

Still a risk 10 years after the explosion

Ukraine and the West are haggling over a deal to decommission this dangerous plant

Chernobyl has a disarming look of normality about it these days. Vehicles laden with visitors drive up to the front entrance where a vast bust of Lenin greets them with a stony stare. Staff in green uniforms move about the passages. In the background two of the four generation units whirr away, supplying 5 per cent of Ukraine's electricity.

The terrain around the plant is bare of vegetation but the distant forest is slowly beginning to encroach again. The shattered Unit 4 reactor, which exploded in April 1986, is discreetly bidden within a sheet metal "sarcophagus". A visitor from Mars would not realise much was wrong.

It is deceptive of course. To get anywhere near the plant the visitor has to drive across the barricaded 30km exclusion zone which surrounds it. The area is littered with dumps of contaminated equipment. The neighbouring town of Pripyat, where the Chernobyl workers once lived, is deserted. Today staff travel in by train from a new settlement, Slavutich, 50km to the east.

Radiation levels in and around the plant have dropped to the point where non-specialist visitors are allowed in, not just on to the site, but also into the sarcophagus to see the work that is being done to make the remains of the reactor safe.

Nearly 10,000 tonnes of concrete and metal have been installed to prop up structures ruptured by the explosion. The radioactive debris of graphite, plutonium and fission products has been shovelled back into the reactor vessel and smothered in cement, sand, lead and boron. A tunnel has been excavated under the reactor to take monitoring devices. More sensing equipment has been installed throughout the site.

All this has been covered in a sheet metal skin to protect it from the weather and prevent the spread of contaminated dust. About 600 people are employed full time to maintain and monitor the accident site.

The sarcophagus and the structures inside it were designed to last for 30 years. But western experts who have examined it doubt that it will hold up that long. The extra weight is straining the foundations. The sarcophagus leaks and collapse cannot be ruled out, specially if there is an earthquake, which is a strong possibility.

The wider question is what to do about the rest of the Chernobyl complex. Two of the four reactors are still in operation – the third was shut down by a fire in 1991 but could be restarted – providing power vital for Ukraine's starved economy and 5,000 jobs. These reactors were not upgraded to the level of other RBMK units, the old Soviet Union's standard large-capacity reactors, after the disaster because it was assumed they would be shut down for good. So they may not be safe enough to stay in operation.

For several years western experts have been working on plans to shut down the whole complex and build a lasting "tomb" for Unit 4, much of it under the EU's Technical Assistance to the Commonwealth of Independent States programme.

The UK's AEA Technology recently completed a 1,000-page decommissioning plan for the three remaining reactors which would involve removing the fuel and coolant then plugging the reactors up and leaving them to "cool" for 100 years. This is the conventional approach for western reactors. Decommissioning Chernobyl would also entail building stores to take the huge amounts of radioactive waste generated by the shutdown, adding greatly to the cost.

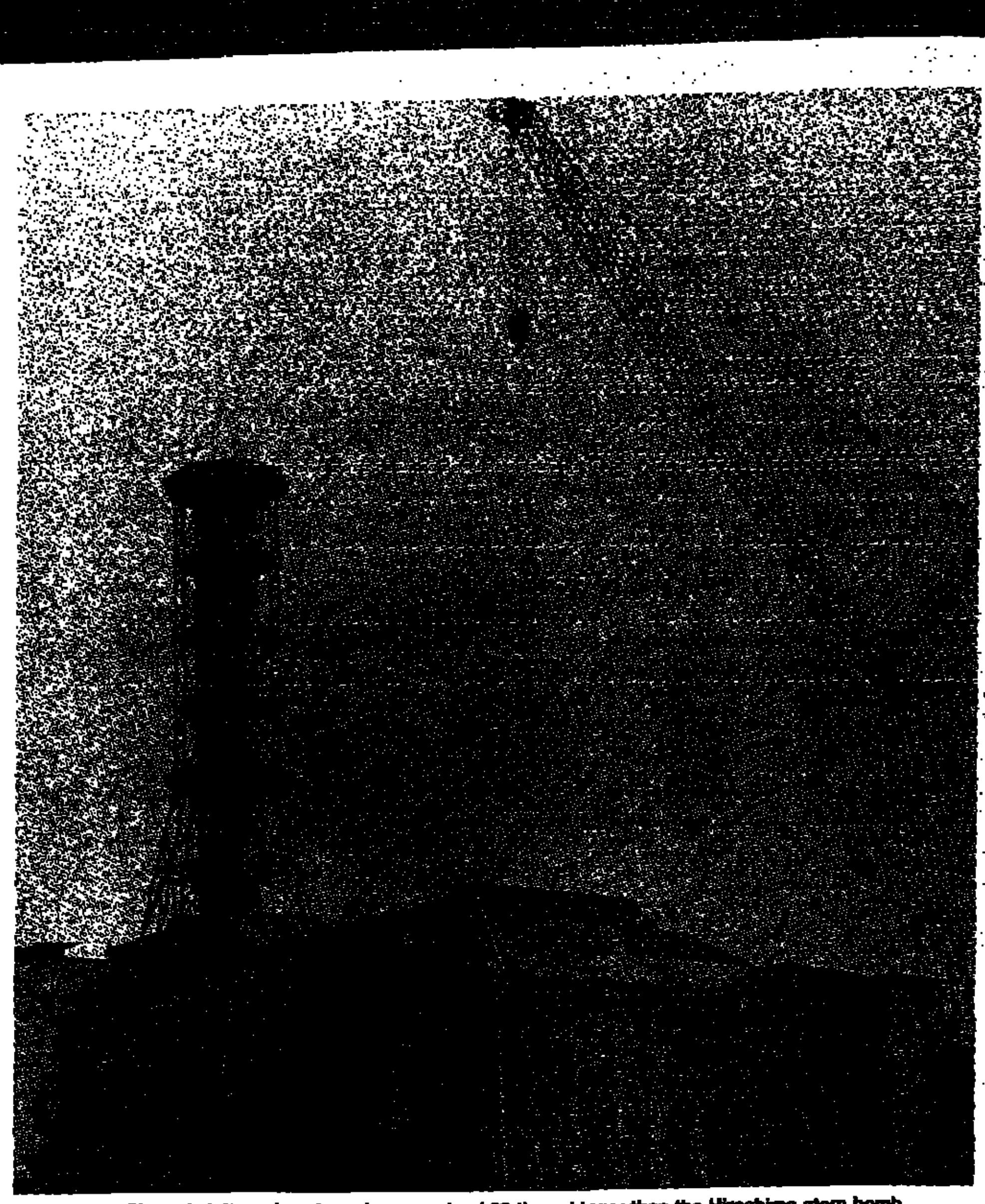
Earlier this year, Alliance, a group of western contractors, produced a parallel proposal to replace the sarcophagus which, it said, "cannot be considered by modern standards to provide an adequate nuclear containment". The Alliance plan envisages clearing the site of 350,000 cubic metres of contaminated waste and erecting a vast dome-like structure which would encase the remains of unit 4 and also, if necessary, neighbouring buildings.

This work could cost some $3bn.

Mr Sergei Parashin, the managing director of Chernobyl, is determined to keep the plant going to safeguard his workers' jobs and supply badly-needed electricity. "There is no justification for closing this plant," he says.

The Ukraine government in Kiev has said it would be willing to shut Chernobyl down in return for western aid. Negotiations between Kiev and the West on an aid package have been dragging on for years. Recent indications suggest that a deal may be in sight. It will probably involve the provision of western finance to shut down Chernobyl and complete three half-built nuclear power stations to replace all the lost generating capacity.

It would be ironic if Chernobyl, having struggled on for ten years after the explosion, marked the anniversary by announcing the closure of the whole plant. But such is the potency of Chernobyl's name that world public opinion may not permit it to continue.



Reactor 4 at Chernobyl: it produced a poisonous cloud 90 times bigger than the Hiroshima atom bomb

A flask of French waste arrives in Japan for storage

■ **Waste disposal:** by Bronwen Maddox

Nobody wants the waste

Attempts to find solutions are complicated by opposition from pressure groups

The first nuclear power stations are nearing the end of their lives. Decommissioning them will soon compound an unsettled problem: how to dispose of nuclear waste.

There is no obvious solution. Proposals vary widely and have changed radically in the past 15 years. Views on methods of permanent disposal vary so much that many governments are considering storing the waste on the surface for decades. But that may expose them and their nuclear industries to greater political pressure. Environmental campaigners see waste disposal as the industry's weakest flank.

The only point on which all countries agree is that disposal will not happen at sea, at least for the foreseeable future. In the past few years, international treaties on marine dumping, notably the London Dumping Convention and the Paris and Oslo Conventions, have been tightened to ban the disposal of radioactive waste at sea indefinitely.

As a result the disposal question has become national or regional rather than international. All the proposed methods are controversial.

Several countries with large nuclear programmes – notably the UK, France, Japan and, until last year, Germany – have favoured reprocessing spent fuel rods to extract reusable uranium and to reduce the volume of unwanted waste. The process is expensive and contentious because it also produces plutonium. This is of more use in building nuclear weapons than in most civil nuclear processes.

Reprocessing raises the question of how to dispose of remaining unusable waste. Most countries with nuclear programmes have investigated deep underground storage as a solution. In several cases – such as the UK and the US – governments have taken large sums of money from the industry or from electricity consumers to pay for storage. However the choice of method has so far proved more problematic than the financing.

The UK's proposed timetable for constructing a £2bn deep repository for intermediate-level nuclear waste near the Sellafield reprocessing plant in Cumbria has slipped repeatedly. The government's chief adviser on radioactive waste management has raised concerns about the geological weakness of the surrounding rocks.

Similarly the US Department of Energy has been wrestling for over a decade to design a long-term storage dump for used fuel. It has taken over $10bn from power generators to pay for it. So far it has been unsuccessful. As the department has no authority to provide interim storage facilities, the industry has been investigating urgent stop-gap measures, such as paying Apache tribes in New Mexico to hold the waste on their land for several decades.

In Germany a change in the law last year permitted "direct disposal" of waste without reprocessing to special stores where it can cool for several decades before final disposal. The government and the nuclear industry has also won a decade-long battle to send nuclear waste to a waste dump at Gorleben in Lower Saxony. But technical and political questions about long-term storage remain unresolved.

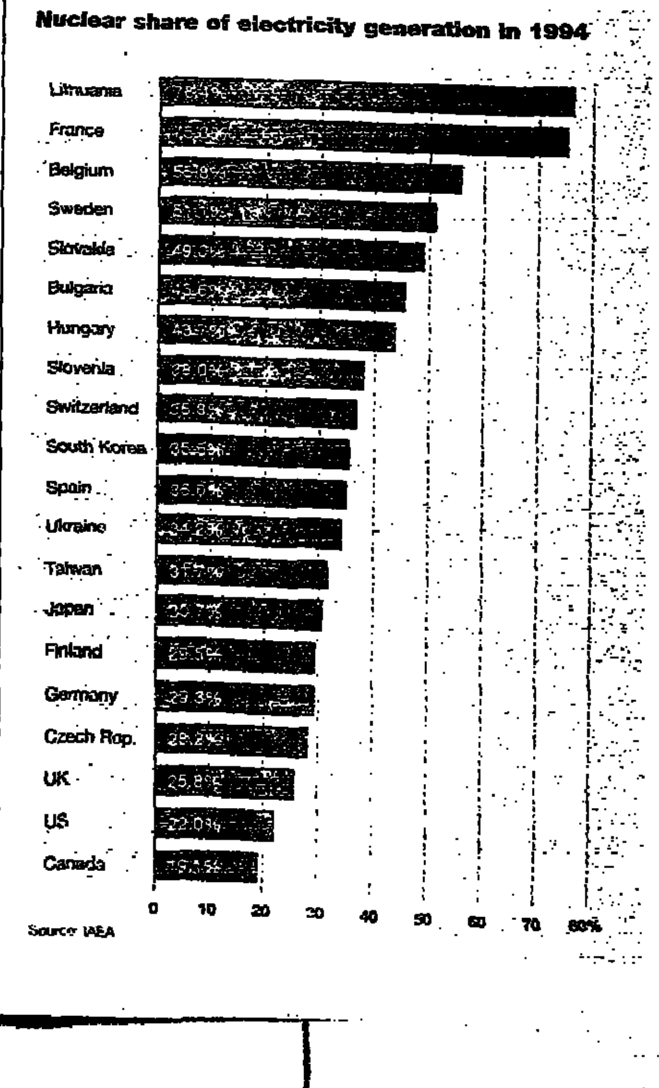
Japan has yet to identify a long-term storage site. Deliberations on the best disposal method have been hampered by opposition from provincial governments who do not want to host research sites.

The best solution for many countries might seem to be to delay a decision until more research on permanent underground storage has been carried out. Nuclear scientists, including those at the US's Los Alamos laboratory in New Mexico, one of the largest nuclear research institutes in the world, are also investigating whether it may eventually be possible to transform radioactive waste into non-radioactive material.

Delays may create political problems for governments and for nuclear power companies. Environmental groups in industrialised countries, particularly Greenpeace, the most international of the pressure groups, have seized on the waste issue as the nuclear industry's weak point. In challenging the licensing of the UK's Thorp reprocessing plant, and in its opposition to Gorleben Greenpeace has made clear that it aims to shut the industry down.

The leverage which the issue has given environmentalists may bring the nuclear industries of some countries to a halt by the time an answer is clear. If so countries which are only now expanding their use of nuclear power, notably in Asia, will reap the greatest benefits of the research.

Nuclear share of electricity generation in 1994



Source: IAEA

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COMMODITIES AND AGRICULTURE

MARKET REPORT

London coffee futures dive to 19-month lows

London Commodity Exchange robusta **COFFEE** futures prices surrendered Tuesday's gains to slump to 19-month lows yesterday as the New York market crept towards a crucial test of the 100 cents-a-pound mark.

Traders said disappointment had set in on the lack of strength in Tuesday's $26 rally after last week's slump.

The March delivery contract last traded down $45 at $1,868 at tonne – the lowest close since $1,813 on May 9, 1994 – after falling earlier to $1,862. By the London close the New York March contract had traded as low as 101.50 cents.

London brokers said the selling appeared to be mostly speculative once again. More and more potential buyers were standing back to see what happened in New York.

"There is scale-down selling around these levels but it gets whittled away," a broker said. He noted some trade selling and "bits and pieces" of industry buying but little producer activity.

LCE **COCOA** future ended a lacklustre session lower but within recent trading ranges as players focused mostly on adjusting book positions. The key March delivery contract last traded down £4 at £931 a tonne.

Traders said March was stuck between recent highs and lows of £926 and £937 in the absence of fresh developments, with wider support at £920 and resistance at £950.

A broker said there was little interest to test either side of the range. "I am perplexed," he said. "Volume has ground to a halt."

Base metal trading was less active in the afternoon session at the London Metal Exchange once December option declarations were absorbed.

Volatile moves were seen, however, in **COPPER**, notably nearby, which lifted the cash premium over three months metal to a record level near $300 a tonne at one stage, compared with $235 on Tuesday.

"Copper has been all over the place today, what with the backwardation [cash premium] and the options declarations. But there has been good support on dips towards $2,680 [for three months metal]," said Mr William Adams, analyst at LME trader Rudolf Wolff and Company.

Compiled from Reuters

China invests in SA chrome mine

China has signed its biggest joint venture deal with South Africa, reports Reuters from Beijing. In a rare capital export deal it is investing US$70m in a South African chrome mine and a planned smelter.

The contract was signed in a Beijing hotel on Tuesday by executives of China's state-owned Eastern Asia Metal Investment Company, which holds 60 per cent of the venture, and Northern Transvaal Development Corporation, which holds 40 per cent.

The venture, Asia South Africa Metals Proprietary, will take over Northern Transvaal's Dilokong chrome mine, which has annual capacity of 400,000 tonnes, and build a smelter to produce 100,000 tonnes of charge chrome a year. It will produce chrome concentrates and ferrochrome products using technology from China for sale in China, South Africa and the world market.

The deal is the latest in an unusual series of overseas investments aimed at securing supplies of raw materials that China imports in large quantities, such as crude oil and aluminium. China is a major importer of chromium ore. In the first ten months of this year it took 1.03m tonnes, up from 490,000 tonnes in the same 1994 period, Chinese figures show.

South Africa ranks first in the world in chromite reserves, with its Dilokong chrome mine, in northern South Africa, able to produce 400,000 tonnes a year for at least 60 years, officials say.

The deal reflects a steady warming between China and South Africa, which still lack diplomatic relations because of Pretoria's ties with Beijing's political rival, nationalist-run Taiwan. Bilateral trade is soaring towards $1.2bn in 1995 from just $14m in 1991, South African statistics show.

Chinese capital exports are extremely rare and such an investment in South Africa would have been impossible during the apartheid era of white rule, when Beijing backed the disenfranchised black opposition. "Under the white government, we did not have the ability to make investments like this, but now China's economy has grown so we can do so," a Chinese banker said at the contract signing.

"But we remain a capital-importing country and there is a limit as to how much capital we can export," he added.

At the signing, Mr N. Ramathlodi, premier of Northern Province, formed out of part of the Northern Transvaal, said the venture would help both countries, supplying badly needed chrome to China and creating 700 jobs in South Africa.

Northern province produces 26.3 per cent of South Africa's mining output and provides an ideal strategic location for Chinese companies to expand into the growing markets of South Africa, Botswana, Zimbabwe and Mozambique, he said.

Extinction looms for farm animal species

One in three of the world's domestic breeds is under threat, writes Geoff Tansey

About one third of the world's domestic animal breeds – poultry and mammals – are in danger of extinction the UN Food and Agriculture Organisation warns. "A projected 1,200 to 1,500 of the world's 4,000 to 5,000 domestic animal genetic resources are now at risk of loss," according to the World Watch List for Domestic Animal Diversity, published this week in Rome.

Highly specialised modern livestock farming poses the greatest threat to domestic animal diversity, says the FAO, with a projected average of three breeds lost every two weeks. The rapid spread of high-input modern breeds to developing countries places most local breeds at risk. Yet in 80 per cent of the world's rural area the locally adapted animals are superior to modern breeds, according to Dr Keith Hammond, FAO expert on animal breeding and genetic resources.

Siberia's Yakut cattle give concentrated, high fat milk, tolerate temperatures down to −60°C and are considered resistant to tuberculosis, leucosis and brucellosis – there are only 90 left.

He argues that "for the whole of this century we've done it [animal breeding] wrong". The concentration on developing just a few breeds in each livestock species and use of artificial insemination resulting in one male siring tens of thousands of calves may have helped increase productivity but it has greatly narrowed genetic diversity, which is needed to breed animals with different characteristics able to thrive in different conditions. Since the 1920s it has been known that the hardest characteristics to change are those to do with adaptation to the environment.

"We need to stop the rot and turn breeding around in the next two to three decades," says an enthusiastic Dr Hammond, an Australian who founded and ran the Research Institute in Animal Genetics and Breeding at the University of New England before moving to the FAO. The need is to fit the biology to the particular environment and production system, he argues, not to produce relatively uniform animals that require high feed and management inputs everywhere.

The biological diversity found in the genes of different breeds will be an essential resource to cope with the expected greater fluctuations in environmental conditions in future. Already breeders faced with limited profitability from intensive pig production went to China to find the Taihu pig, which has an average litter of 16 compared with only ten from Western Breeds.

In Britain, with the move from intensive to outdoor pig rearing, breeders had to go back to earlier breeds to develop pigs able to thrive on grass. In Brazil, the Pantaneiro horse has remarkable resistance to equine infectious anaemia – which limits the use of horses in many countries where animals are still important for traction and transport.

Although the 638 most endangered breeds are in Europe, where 43 per cent of all breeds are threatened, and only 27 out of 396 in Africa, according to the World Watch List, data for developing countries are far from complete, and the manual probably greatly underestimates the animals at risk of extinction there.

Breeds with 1,000 or less breeding females or 20 breeding males are classed as endangered and those with 100 or less breeding females or five breeding males) as critical, according to FAO.

The urgent need is to manage existing animal breeds and encourage farmers to develop and use them says Dr Hammond. This must involve farmers, governments and private sector and non-governmental organisations, he believes. There should also be a fall-back position with stores of frozen semen and embryos similar to the seed banks for plants.

The launch of the current manual – which will go on the Internet in March as part of an electronic information system (DADIS) – is a contribution to the creation of a Global Programme for the Management of Farm Animal Genetic Resources as part of implementing the Convention on Biological Diversity.

The programme includes an intergovernmental mechanism to develop policies, global country-based structures with national focal points to gather data and co-ordinate action, technical assistance, expert groups and a donor mechanism to fund the work.

The economic costs of failing to safeguard this pool of animal genetic resources will be enormous, says Dr Hammond and the benefits of doing so are equally significant. He points to work by Professor Robert Evenson of Yale University showing that their longer term maintenance is a very lucrative investment.

FAO says that many breeds can be lost when too much political and economic emphasis is given to one breed to the exclusion of others. "When probable production gains from exotic breeds are evaluated over complete life cycles, indigenous breeds become much more profitable", says Dr Hammond.

Price $75, from FAO Publications Viale delle Terme di Caracalla, 00100 Rome, Italy.

Milk Marque plans to offer forward supply contracts

By Richard Mooney

Milk Marque, the independent farmers' co-operative that took over the marketing functions of Britain's Milk Marketing Boards, is for the first time to offer customers the opportunity to make forward milk supply contracts.

"A number of our customers were concerned about lack of continuity at the end of a contract term," explained chief executive Mr Andrew Dare. "Initially most of our milk was sold on annual contracts which led to a 'cliff edge' as all contracts expired at the same."

"Last summer we introduced a range of contract lengths to overcome this uncertainty – customers had a choice of six-, 12- and 18-month terms.

"Now we are planning further improvements. . . particularly in the introduction of forward contract milk. As soon as the sale of contracts starting April 1, 1996 is complete, we will offer forward contracts for delivery from October 1, 1996."

The move gave customers the opportunity to secure forward supplies, Mr Dare said.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1636-37	1674-75
Previous	1639.5-40.5	1677-78
High/low	1630	1680/1667
AM Official	1629-30	1668-69
Kerb close		1677-78
Open int.	221,201	
Total daily turnover	57,384	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1400-10	1435-45
Previous	1400-10	1440-45
High/low	1405	1448/1435
AM Official	1402-5	1440-42
Kerb close		1445-48
Open int.	4,788	
Total daily turnover	1,037	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	740.5-2.5	725-26
Previous	752.5-4.5	728-29
High/low	750/749	729/724
AM Official	748-49	726-27
Kerb close		727-27.5
Open int.	31,324	
Total daily turnover	7,009	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7965-75	8090-100
Previous	7905-15	8035-40
High/low	7950	8150/7975
AM Official	7950-55	8075-78
Kerb close		8110-15
Open int.	44,427	
Total daily turnover	9,095	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6250-60	6285-95
Previous	6195-205	6235-40
High/low		6320/6250
AM Official	6245-50	6280-85
Kerb close		6290-95
Open int.	16,922	
Total daily turnover	4,627	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1013.5-14.5	1038-39
Previous	1016-17	1041-41.5
High/low	1014/1013	1045/1036.5
AM Official	1013.5-14	1040-41
Kerb close		1036.5-7.5
Open int.	80,571	
Total daily turnover	18,534	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2970-75	2689-90
Previous	2950-55	2722-23
High/low	2975/2968	2722/2677
AM Official	2968-70	2695-96
Kerb close		2693-4
Open int.	172,259	
Total daily turnover	84,599	

■ LME AM Official £/$ rate: 1.5405
LME Closing £/$ rate: 1.5405

Spot: 1.5420 3 mths: 1.5395 6 mths: 1.5362 9 mths: 1.5334

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	130.35	-1.00	133.00	130.00	1,302	3,890
Jan	125.05	-2.10	128.00	125.00	164	2,343
Feb	122.15	-2.70	125.80	125.50	45	956
Mar	119.05	-3.10	122.80	118.80	3,657	15,613
Apr	117.75	-3.05	120.80	120.80	46	391
May	116.45	-3.00	120.10	118.45	209	2,677
Total					6,500	37,490

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	388.20-388.60		
Opening	387.20-387.60		
Morning fix	387.60	251.443	452.174
Afternoon fix	388.40	252.191	453.845
Day's High	389.50-389.90		
Day's Low	387.20-387.60		
Previous close	386.50-387.00		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.80	6 months	3.13
2 months	2.84	12 months	3.15
3 months	2.91		

Silver Fix	p/troy oz.	US cts equiv.
Spot	341.40	525.60
3 months	348.00	531.80
6 months	350.55	537.75
1 year	359.70	549.70

Gold Coins	$ price	£ equiv.
Krugerrand	387-388	251-252
Maple Leaf	399.20-401.75	
New Sovereign	90-92	58-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	388.9	+1.5	390.0	387.8	1,881	3,204
Feb	390.3	+1.6	391.5	388.7	20,989	54,027
Apr	392.3	+1.5	393.5	391.2	867	14,402
Jun	394.5	+1.4	396.0	393.5	1,417	20,889
Aug	396.6	+1.3	397.3	397.3	48	4,221
Oct	398.6	+1.2	-	-	2	3,555
Total					12,233	138,049

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	414.2	-1.4	416.5	414.0	1,542	15,802
Apr	414.9	-1.3	417.5	415.0	222	3,968
Jul	416.3	-1.3	418.0	418.0	63	1,709
Oct	418.3	-0.7	418.0	419.0	12	845
Jan	419.3	-0.7	-	-	-	5
Total					1,839	22,328

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	133.10	-0.90	134.50	133.00	217	553
Mar	134.60	-0.90	136.50	134.35	601	5,459
Jun	136.00	-0.90	-	-	1	186
Total					818	6,198

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	522.5	+2.2	524.0	520.5	1,166	1,547
Jan	523.9	+2.3	-	516.0	1	45
Mar	530.0	+2.3	531.5	527.5	10,728	60,800
May	534.4	+2.3	536.0	533.5	71	10,077
Jul	538.7	+2.3	541.0	537.0	120	6,835
Sep	543.0	+2.3	543.0	542.5	103	8,501
Total					25,976	98,834

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	18.74	+0.07	18.78	18.57	35,335	90,905
Feb	18.37	+0.04	18.41	18.25	18,640	49,652
Mar	18.15	+0.05	18.17	18.05	11,661	34,080
Apr	17.97	+0.04	18.00	17.86	4,601	18,032
May	17.92	+0.03	17.82	17.75	1,870	18,477
Jun	17.71	+0.04	17.72	17.65	6,096	21,004
Total					88,014	337,333

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	17.59	+0.07	17.60	17.43	14,796	58,618
Feb	17.24	+0.07	17.24	17.09	9,172	42,698
Mar	16.97	+0.03	16.97	16.84	2,259	20,620
Apr	16.72	-	16.74	16.65	1,042	8,666
May	16.57	-	16.57	16.54	200	3,724
Jun	16.44	-	16.47	16.43	302	9,607
Total					27,216	48,790

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	54.60	+0.38	54.75	53.85	21,918	48,673
Feb	53.90	+0.28	54.10	53.30	13,046	33,513
Mar	52.45	+0.23	52.60	52.10	3,148	14,472
Apr	50.50	+0.13	50.50	50.25	1,290	4,850
May	49.05	+0.08	49.10	48.80	1,107	6,141
Jun	48.55	+0.08	48.65	48.40	624	8,821
Total					42,110	131,186

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	163.50	-0.25	163.50	162.25	5,251	20,491
Jan	163.75	-0.25	164.00	162.50	6,869	32,319
Feb	161.25	+0.50	161.25	160.00	2,289	11,058
Mar	158.50	+1.00	158.50	157.25	286	5,673
Apr	156.25	+1.00	156.25	156.00	246	1,991
May	154.25	+0.25	153.75	153.75	11	1,188
Total					16,188	84,123

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	2.234	+0.009	2.280	2.180	29,054	42,156
Feb	2.081	+0.015	2.110	2.040	10,205	23,470
Mar	1.935	+0.027	1.940	1.905	6,171	17,831
Apr	1.800	+0.045	1.800	1.700	3,732	12,352
May	1.753	+0.011	1.760	1.735	1,497	9,981
Jun	1.753	+0.013	1.750	1.735	846	6,798
Total					58,498	158,872

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	53.90	-0.11	54.10	53.30	9,869	26,262
Feb	53.45	-0.08	53.80	53.05	5,442	19,083
Mar	53.25	-0.11	53.40	53.00	2,682	8,262
Apr	55.50	-0.16	55.50	55.50	275	5,617
May	55.80	+0.18	55.80	55.60	442	3,935
Jun	54.90	-	54.90	54.90	351	2,137
Total					19,185	66,119

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	127.25	-0.85	128.00	127.00	129	2,174
Mar	129.00	-0.75	129.75	128.75	156	2,442
May	130.85	-1.00	131.85	130.60	117	3,212
Jul	132.75	-1.25	134.00	132.75	34	313
Sep	115.30	-	-	-	-	59
Nov	116.50	-0.50	117.00	116.50	5	706
Total					430	8,907

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	507.75	+3.75	508.50	503.00	1,552	7,196
Mar	501.00	+3.00	502.00	497.50	14,767	56,739
May	465.75	+4.50	466.00	462.00	900	8,370
Jul	425.50	+1.50	427.00	422.50	3,158	22,317
Sep	426.00	+1.25	426.50	423.00	283	3,716
Dec	433.00	+0.50	433.50	430.50	551	1,541
Total					21,223	98,058

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	334.75	+0.50	335.50	332.75	12,812	27,220
Mar	342.25	+1.25	343.00	340.00	56,182	292,384
May	343.50	+0.75	344.00	341.50	8,082	55,730
Jul	339.25	+1.00	339.75	337.50	10,706	62,136
Sep	297.25	-	297.50	296.25	1,238	11,312
Dec	283.50	-	283.75	283.00	4,114	29,480
Total					93,227	480,218

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	116.00	-1.00	116.75	116.00	15	687
Mar	118.00	-1.15	118.50	118.00	26	841
May	120.50	-1.00	120.90	120.50	10	399
Sep	110.50	-	-	-	-	20
Nov	112.50	-	-	-	-	16
Total					51	1,963

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	705.50	+2.75	706.75	700.75	34,731	80,490
Mar	714.00	+2.50	715.50	709.50	11,053	50,463
May	717.75	+3.00	718.00	712.50	2,409	15,792
Jul	717.50	+3.00	718.00	713.00	4,577	22,243
Aug	714.00	+2.75	714.50	711.25	219	1,507
Sep	695.50	+0.50	696.00	693.50	330	1,725
Total					58,798	188,887

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	25.18	-0.17	25.40	25.14	2,080	2,446
Jan	25.24	-0.17	25.50	25.20	9,840	31,062
Mar	25.59	-0.17	25.85	25.34	3,605	24,966
May	25.88	-0.17	26.20	25.86	1,213	11,208
Jul	26.10	-0.14	26.38	26.08	1,542	9,487
Aug	26.15	-0.13	26.36	26.25	236	2,096
Total					19,889	85,187

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	221.1	+2.6	221.2	218.6	8,375	5,268
Jan	222.9	+2.7	223.2	220.3	17,332	39,070
Mar	225.5	+2.5	225.8	223.3	7,327	40,571
May	224.4	+2.3	224.5	222.0	2,230	11,086
Jul	223.8	+1.7	223.8	222.0	1,846	10,331
Aug	222.0	+1.8	222.0	220.5	286	1,288
Total					37,808	112,287

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	270.0	-	-	-	-	-
Apr	268.0	+0.5	269.5	264.8	53	1,204
May	300.0	+2.5	-	-	-	6
Jun	325.0	-	-	-	-	-
Total					53	1,212

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1585	+10	1585	1585	34	223
Jan	1540	+5	1540	1515	154	1,328
Apr	1530	-	1530	1515	29	1,444
Jul	1355	+5	1365	1345	12	587
Oct	1465	+5	1465	1465	11	165
Jan	1485	-	-	-	-	21
Total					394	3,882

	Close	Prev
BFI		1615

FUTURES DATA
All futures data supplied by CMS.

Nuts and Seeds
Prices from Kenkko Group; US$ a tonne. Iranian pistachios 28/30 raw (in shell) naturally opened (round); new crop 3,500 CFR/FOT MEP, 26/28 3,600 CFR/FOT MEP - supplies now arriving in Europe. US almonds (shelled) 23/25 NPSSR 1995 crop at 6,150 FAS, weak. US walnuts (shelled) light halves and pieces, 1995 crop at 6,060 FOB; firm. Shipments slightly delayed because of late harvest. Indian cashews, raw, W320, 1995 crop, origin supplies at 5,850 FOB; spot goods difficult. Turkish hazelnut kernels, 13/15 standard 1a, 1995 crop at 2,900 CFR MEP, falling. Russian snow white pumpkin seeds: 1995 crop, grade A at 2,150 FCA MEP. Chinese pine nut kernels, grade A, 1995 crop at 5,700 CFR MEP, December shipment.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	890	-4	895	884	37	134
Mar	932	-3	933	928	1,472	38,715
May	952	-2	953	948	383	14,630
Jul	970	-3	969	967	60	6,722
Sep	988	-5	988	986	164	27,585
Dec	999	-4	1000	996	215	6,778
Total					2,365	115,804

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1302	-6	1304	1296	16	363
Mar	1308	-5	1311	1303	2,220	39,104
May	1325	-8	1329	1324	686	12,854
Jul	1346	-4	1350	1345	122	5,075
Sep	1367	-4	-	-	51	9,853
Dec	1391	-4	-	-	391	8,081
Total					3,115	77,468

■ COCOA (ICCO) (SDR's/tonne)

Dec 5	Price	Prev. day
Daily	940.69	936.09

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	1986	-41	2045	1982	2,347	15,311
Mar	1868	-45	1930	1862	1,401	10,014
May	1798	-48	1860	1795	148	4,187
Jul	1758	-41	1815	1765	82	2,985
Sep	1720	-45	1740	1727	15	725
Nov	1695	-37	1770	1720	13	192
Total					5,862	32,869

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	105.00	-3.15	108.25	105.00	80	695
Mar	102.00	-3.45	105.40	101.35	4,062	19,010
May	100.90	-3.10	104.05	100.00	610	3,486
Jul	100.80	-3.00	103.60	100.50	237	1,074
Sep	100.75	-2.85	102.00	99.90	78	588
Dec	100.75	-2.85	103.25	99.90	78	556
Total					5,051	25,980

■ COFFEE (ICO) (US cents/pound)

Dec 5	Price	Prev. day
Comp. daily	-	104.58
15 day average	-	114.76

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	13.25	-	-	-	-	-
Mar	10.90	-	-	-	-	-
May	11.19	-	-	-	-	-
Jul	11.19	-	-	-	-	-
Total					-	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	351.8	-1.7	351.8	350.0	285	14,391
May	341.4	-1.6	341.3	339.9	121	6,425
Aug	331.7	-2.3	330.8	330.0	32	2,783
Oct	303.7	-1.6	302.6	302.0	17	3,102
Dec	297.0	-2.7	296.5	295.2	32	1,602
Mar	294.3	-3.8	294.3	294.0	18	288
Total					493	29,736

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	11.32	+0.03	11.40	11.23	6,023	86,614
May	10.91	-0.07	10.99	10.89	1,064	24,988
Jul	10.39	-0.03	10.46	10.33	783	15,976
Oct	10.19	-0.03	10.30	10.17	318	18,112
Mar	10.01	-0.02	10.10	10.00	72	10,867
May	10.01	+0.06	10.01	9.90	33	1,335
Total					8,280	158,251

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	86.00	-1.35	87.90	86.00	778	1,042
Mar	84.60	-1.20	86.25	84.40	3,846	25,589
May	84.40	-1.02	85.80	84.20	383	9,483
Jul	84.18	-0.89	85.50	84.10	144	6,610
Oct	80.49	-0.31	80.90	80.10	194	1,507
Dec	78.00	-0.05	78.25	77.50	599	8,488
Total					5,944	52,860

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	127.15	+0.60	127.25	125.80	721	17,869
Mar	130.15	+0.65	130.20	128.90	351	5,752
May	132.65	+0.65	132.60	132.00	74	1,492
Jul	134.90	+0.40	134.60	134.05	27	873
Sep	136.90	+0.30	136.60	136.60	60	808
Nov	135.85	+0.05	135.00	135.00	50	450
Total					1,258	27,654

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Dec 6	Dec 5	month ago	year ago
2156.8	2147.8	2134.6	2171.6

■ CRB Futures (Base: 1967=100)

Dec 5	Dec 4	month ago	year ago
244.08	243.06		-

■ GSCI Spot (Base: 1970=100)

Dec 5	Dec 4	month ago	year ago
193.21	191.21	183.56	170.94

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	67.650	-0.275	68.075	67.425	3,111	12,775
Feb	68.125	-0.150	68.450	67.750	4,330	29,251
Apr	68.125	-	68.300	67.850	2,315	15,915
Jun	63.700	-0.025	63.850	63.500	898	7,410
Aug	61.925	+0.050	62.025	61.700	634	3,640
Oct	62.850	+0.100	63.000	62.700	63	2,580
Total					2,810	12,284

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	46.625	+0.575	46.950	45.800	2,111	3,939
Feb	49.925	+0.475	50.350	49.250	4,431	14,538
Apr	49.700	+0.325	50.125	48.125	1,225	6,724
Jun	54.675	+0.425	54.850	53.950	636	4,587
Jul	53.925	+0.450	53.950	53.200	342	2,144
Aug	52.800	+0.200	52.800	52.375	54	1,271
Total					8,827	34,314

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	58.875	+1.025	58.950	57.250	2,879	6,384
Mar	58.875	+1.025	59.000	57.525	273	997
May	59.850	+1.050	60.000	58.850	102	448
Jul	60.725	+0.725	60.800	59.550	88	477
Aug	58.150	+0.900	58.300	58.250	15	168
Total					3,357	7,474

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Jan	Mar	Jan	Mar
1600	64	96	7	26
1700	11	43	54	71
1800	1	15	143	142
■ COPPER (Grade A) LME	Jan	Mar	Jan	Mar
2700	127	76	10	104
2800	58	41	40	167
2900	19	-	100	-
■ COFFEE LCE	Jan	Mar	Jan	Mar
1900	N/A	-	-	-
1950	N/A	-	-	-
2000	N/A	-	-	-
■ COCOA LCE	Mar	May	Mar	May
950	23	50	18	1
975	17	39	29	1
1000	9	31	43	3
■ BRENT CRUDE IPE	Jan	Feb	Jan	Feb
1650	-	-	-	-
1700	54	42	2	13
1750	18	22	14	29

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jan)

		+or-
Dubai	$16.65-6.67w	+0.045
Brent Blend (dated)	$17.56-7.58	+0.060
Brent Blend (Jan)	$17.59-7.61	+0.110
W.T.I. (1pm est)	$18.78-8.79w	+0.130

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$168-170	-2.5
Gas Oil	$169-170	
Heavy Fuel Oil	$100-102	+4.5
Naphtha	$156-158	+1
Jet fuel	$188-190	-1
Diesel	$170-171	

Petroleum Argus. Tel. London (0171) 359 8792

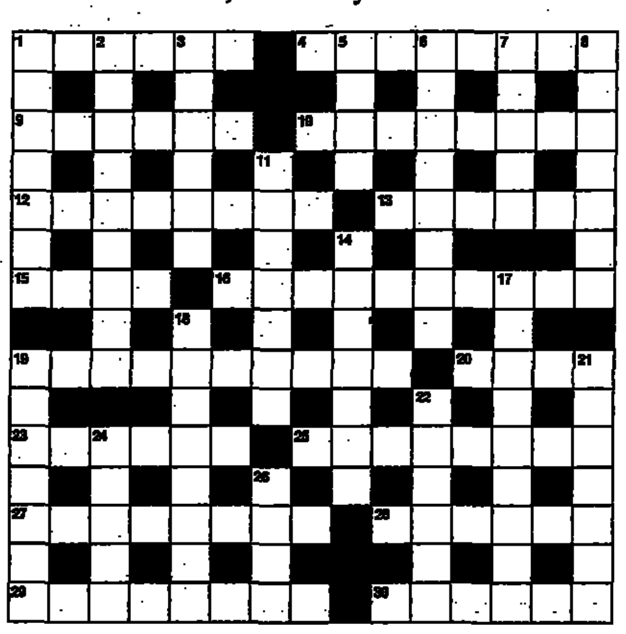
■ OTHER

Gold (per troy oz)♣	$388.40	+1.65
Silver (per troy oz)♣	526.5c	+4.0
Platinum (per troy oz.)	$414.20	+1.20
Palladium (per troy oz.)	$133.15	+0.40
Copper	125.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.53m	-0.16
Tin (New York)	294.5c	
Cattle (live weight)†	121.50p	-0.43*
Sheep (live weight)†♣	119.07p	+3.97*
Pigs (live weight)†	103.53p	+1.25*
Lon. day sugar (raw)	$310.6	-4.0
Lon. day sugar (wte)	$386.8	-1.2
Barley (Eng. feed)	£121.25	
Maize (US No3 Yellow)	£105.5w	
Wheat (US Dark North)	Unq	
Rubber (Jan)♥	111.00p	+2.00
Rubber (Feb)♥	111.00p	+2.00
Rubber (KL RSS No1)	413.0m	
Coconut Oil (Phil)§	$727.5y	+2.5
Palm Oil (Malay.)§	$660.0z	-2.5
Copra (Phil)§	467.0y	+7.0
Soyabeans (US)	206.0u	+2.0
Cotton Outlook'A' index	89.45c	+0.20
Wooltops (64s Super)	427p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Dec. u Nov/Dec. ♥ w Jan. y Dec/Jan. x Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week † Prices are for previous day.

CROSSWORD

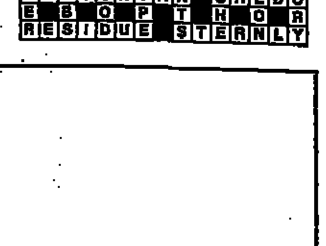
No.8,938 Set by VIXEN



ACROSS
1 Autocratic person making a point in a magazine (6)
4 Falling over oneself to get the listing about right? (8)
9 The guard fight, then retreat (6)
10 Suspend the salesman always coming back without one (8)
12 Denied benefits and support (8)
13 Fibbed about short measure when picked up (8)
15 Putting soldiers in to exercise control (4)
16 Order things – rate is to be changed (10)
19 Conservative outfit get into line (5,5)
20 Criticise car-parking (4)
23 Ask questions about a worker's store (6)
25 Fine as it may be, it must come to a stop (8)
27 He risked possibly getting called out (8)
28 Likely to be competent after 51 (6)
29 Builders in secret or otherwise (8)
30 To part with a note is almost unbearable (6)

DOWN
1 Elderly lady in complete flutter (7)
2 Make a song about transport taxing (9)
3 Seas do get rough on the Russian coast (6)
5 Regrets giving heartless orders (4)
6 Breakfast in gaol? (8)
7 Popular oriental exercise that's really not appropriate (5)
8 Undergo treatment – make payment (7)
11 Means of carrying the young (7)
14 Such cricketers turn pink, chaps! (7)
17 The board accepting a fall may be enlightened (9)
18 Rest badly – the home is most grim (8)
19 In the prescribed procedure airmen make answer (7)
21 Head copper about to resign (7)
22 A way to go on setting the pace (6)
24 A pensioner very often exhibits great courage (5)
26 Fit up with a churlish individual (4)

Solution 8,937



JOTTER PAD

Treasuries soar to best level for two years

By Lisa Bransten in New York and Antonia Sharpe in London

The long-bond yield moved decisively below 6 per cent for the first time in two years early yesterday as the market continued to focus on signs that the economy has fallen off the strong growth pace seen last summer.

Near midday, the 30-year Treasury was up ⅞ at 112¼ to yield 5.983 per cent. Although the long bond yield moved through 6 per cent on Monday and Tuesday, it did not remain at that level for more than a few minutes. The long bond has not ended the day in New York below 6 per cent since October 29 1993.

At the short end of the spectrum, the two-year note added 1/16 at 100 3/32, yielding 5.273 per cent.

Sparking yesterday's rally was a weaker-than-expected index of leading economic indicators. The Commerce Department said the index fell 0.5 per cent in October led by a 0.37 per cent decline in the sensitive materials prices components.

That weakness spurred hopes that the Federal Reserve would lower interest rates either this month or next month.

The market ignored a 2.7 per cent increase in October construction spending as economists wrote it off as a one-time jump and not the beginning of increased activity in the housing sector.

■ European government bond markets were led higher by strong US treasuries and further reports that US hedge funds were buying once again.

In the UK, gilts fell back temporarily on news that the £3bn auction of 7.5 per cent gilts due 2006 was covered only 1.12 times and that the tail – the difference between the highest and the average accepted yield – was 11 basis points, the longest tail since an auction in January 1988.

However, domestic buying of gilts, weak manufacturing output data and the US rally pulled gilts higher for the rest of the day. On Liffe, the March long gilt future traded between a low of 109¾ and a high of 111 1/16 before settling at 110 31/32 in the late afternoon, in volume of more than 100,000 contracts, double Tuesday's volume. The yield spread over Germany narrowed in by 5 basis points to 150 basis points.

GOVERNMENT BONDS

Yesterday's auction fulfilled the Bank's obligation to raise funds in the seven to 15-year area of the yield curve, said Mr Don Smith, UK economist at HSBC Markets. He added that the Bank needed to raise another £10bn before the end of the financial year.

He expected the Bank to raise £5½bn through two auctions of short-dated gilts and £3bn in long-dated gilts. The remainder would be achieved through tap sales of index-linked gilts.

■ French government bonds were boosted by a report, later denied, that a link between the French franc and the D-Mark would be announced at the Franco-German summit. Even after the report was dismissed, the market remained buoyant as worries about the strikes subsided and the yield spread over Germany came in to 77 basis points from 80 basis points.

Ms Phyllis Reed, European bond strategist at BZW, said the market was also firm on the outside chance that the Bank of France would lower its 6.1 per cent five-to-10 day intervention rate by up to 20 basis points after its meeting today.

On the Matif, the December 10-year future rose 0.38 to 120.22 in volume of 165,348 contracts, off a contract high of 120.34.

■ Italian government bonds soared by nearly 2 points on news of a government amendment to a draft budget aiming to scrap withholding tax for non-residents. The amendment means that US and Japanese investors would no longer be subject to the tax.

CFTC chief quits to be regulator of NASD

By Laurie Morse in Chicago

Ms Mary Schapiro, chairwoman of the US Commodity Futures Trading Commission, has resigned from her $125,000 a year post, effective January 26, and has agreed to head the newly-created regulatory unit of the National Association of Securities Dealers.

Ms Schapiro had been asked to take the NASD enforcement job more than a month ago. The CFTC is the chief derivatives regulator in the US. The 40-year-old Ms Schapiro took the helm of the CFTC in October 1994, and quickly raised the profile of the agency in the world financial community.

In addition to improving the CFTC's enforcement operations, Ms Schapiro took an active role in co-ordinating a global regulatory response to the Barings crisis last February, and played a valuable advisory role as one of four members of the President's Working Group on financial markets.

Ms Schapiro served seven years as a commissioner of the Securities and Exchange Commission before taking leadership of the CFTC. Washington officials said it was not surprising that she was offered the NASD enforcement post, given her bipartisan support in Congress and her reputation as a fair and efficient regulator.

The futures community regards her departure as a blow. "The CFTC needs someone who can sit down with the other members of the President's Working Group on equal footing, and who can also go to Congress and calmly and professionally explain the agency's needs," said Mr John Damgard, president of the Futures Industry Association. "That kind of talent is hard to find."

Funds 'need to revise investment in telecoms sector'

By Alan Cane

Fund managers will have to revise radically their approach to investment in the telecommunications sector if the challenges of the immediate future are to be met, a leading corporate financier said yesterday.

Mr Trevor Nash, head of BZW's telecoms advisory group, told a Financial Times conference that the cost of funding the industry's planned investment programme worldwide amounted to about $1,000bn, excluding the cost of payments for licence fees.

"Of the total, more than half is in emerging markets and more than 70 per cent is in basic telephone services," Mr Nash said.

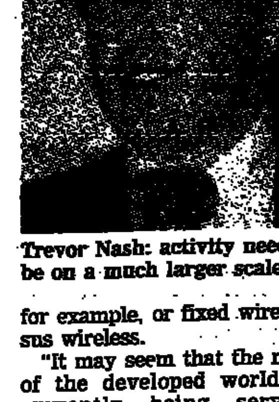
It would prove, he said, "a challenging but not insurmountable task", pointing out that the industry's traditional source of finance is its own retained earnings.

He calculated that developed markets would require $420bn between 1996 and 2000, which could be met from estimated available cash flows of $460bn. Emerging markets, however, would require $520bn with available cash flows of only $280bn, leaving a shortfall of $250bn over the period.

He poured cold water on industry claims that it was a successful and significant raiser of equity finance, pointing out that most of the $60bn raised since 1991 came from selling existing telecoms assets such as the privatisation of British Telecommunications.

"It is clear," Mr Nash said, "that capital market activity needs to be on a substantially larger scale and carried out in a substantially different way than before."

Investors would have to learn to balance new combinations of risk – developed markets versus emerging markets, for example, or fixed wire versus wireless.



Trevor Nash: activity needs to be on a much larger scale

"It may seem that the needs of the developed world are currently being serviced adequately by existing means of finance but we should not be lulled into believing, as operators, financiers and investors, that we will be able to cope with the next wave of development without considerable flexibility and innovation," Mr Nash added.

Mr Laurence Heyworth, telecoms analyst at Flemings Research, told the conference that about $800bn would be needed in developed markets over the next few years to fund the universal provision of advanced interactive and mobile services.

He said the money would be available, perhaps more than enough, but added a caveat: "The structure of the telecoms industry will need to change fundamentally in the process. In particular, the telecoms operator as a corporate and financing vehicle will become obsolete. The industry will progressively fragment along lines of capital intensity and new, aggressive stockmarket vehicles will emerge".

EBRD moves into fledgling Czech koruna sector

By Conner Middelmann

The European Bank for Reconstruction and Development yesterday took advantage of favourable arbitrage opportunities in the fledgling Czech koruna market to issue Kč1.5bn of one-year bonds.

"We were able to swap the proceeds into floating-rate dollars at a very attractive, deep sub-Libor level," said Mr Marcus Fedder, the EBRD's deputy treasurer.

INTERNATIONAL BONDS

The EBRD plans to return to the koruna sector on a more regular basis, to take advantage of attractive arbitrage or to raise funds for on-lending for projects in the Czech Republic, Mr Fedder said.

Lead manager Merrill Lynch reported strong demand from European institutional investors, especially in Germany. "We've seen a lot of interest from funds that can take Czech koruna and are looking for high yield and a stable currency," said a syndicate official. The paper offers a yield pick-up of some 600 basis points over comparable domestic instruments.

In the dollar sector, Société des Ciments Libanais, Lebanon's largest private-sector industrial company, issued the country's first corporate bond, $50m of seven-year bonds which amortise after 4½ years to generate an average life of 5¾ years.

The fact that SCL is a 51.75 per cent subsidiary of Holderbank, the Swiss cement producer, was one of the reasons for the issue's success, lead manager SBC Warburg said. About a third of the deal went into institutional accounts, with the rest placed among European investors.

The South African rand sector saw more supply: R250m of five-year bonds for **Rabobank Nederland** via Hambros Bank and a R100m increase of Daimler-Benz's recent five-year issue to R250m, via Deutsche Morgan Grenfell.

Another unusual offering came from the Republic of Argentina, which tapped the Austrian schilling market for Sch500m of 8.5 per cent three-year bonds, yielding 389 basis points over government bonds, via Creditanstalt.

● Moody's has placed the long-term ratings of Bayerische Vereinsbank, the triple-A rated Bavarian bank, under review for possible downgrade. The review will assess how its intention to acquire US broker-dealer Oppenheimer fits into the bank's growth and development strategy, Moody's said.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Soc. des Ciments Libanais(a)	50	9.00#	100.00R	Jan.2003	1.25R	+350.3(l)	SBC Warburg
D-MARKS							
Deutsche Bank Finance(b)	500	5.50	103.50	Nov.2000	2.00	-	Deutsche Morgan Grenfell
GECC(s)	200	4.75	100.09R	Dec.1999	0.225R	+4(7%-00)	B.de Zoete Wedd(Deutsch.)
CANADIAN DOLLARS							
City of Montreal	100	8.75	99.99R	Jan.1999	0.225R	+34(8%-98)	Scotia/ CIBC Wood Gundy
LUXEMBOURG FRANCS							
Crédit Local de France(s)	*3bn*	*6.375*	*102.30*	*Dec.2003*	*2.00*	-	BIL
BNG	2bn	6.00	102.65	Feb.2002	1.875	-	BGL
Finance for Danish Industry	2bn	6.00	102.25	Feb.2002	1.875	-	BCEE/ Kredietbank
DSL Finance(s)	2bn	5.75	102.35	Dec.2000	1.75	-	BCEE/ Kredietbank
SOUTH AFRICAN RAND							
Rabobank Nederland	250	14.25	101.875	Jan.2001	2.00	-	Hambros Bank
CZECH KORUNA							
EBRD(l)	1.5bn	10.00	100.00R	Dec.1996	0.25R	-	Merrill Lynch International
AUSTRIAN SCHILLINGS							
Republic of Argentina	500	8.50	100.70	Dec.1998	1.50	-	Creditanstalt-Bankverein

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Amortises in six semi-annual instalments from July 2000. b) Fungible with DM500m. Plus 20 days accrued. l) Over interpolated yield. § Long 1st coupon. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		7.500	07/05	95.6500	-	8.16	8.27	8.67
Austria		6.500	11/05	100.0800	+0.360	6.49	6.66	6.95
Belgium		6.500	03/05	98.7900	+0.400	6.67	6.74	7.02
Canada *		8.750	12/05	111.6000	+0.360	7.11	7.26	7.94
Denmark		8.000	03/06	105.0600	+0.360	7.26	7.34	7.85
France	BTAN	7.750	04/00	106.5000	+0.290	6.00	6.11	6.57
	OAT	7.750	10/05	106.6100	+0.420	6.81	6.95	7.33
Germany Bund		6.500	10/05	103.2900	+0.080	6.04	6.23	6.48
Ireland		6.250	10/04	92.9500	+0.550	7.35	7.54	8.13
Italy		10.500	09/05	97.7500	+1.750	10.87†	11.18	11.62
Japan	No 129	6.400	03/00	120.2490	+0.110	1.38	1.28	1.57
	No 174	4.600	09/04	113.7150	+0.280	2.67	2.63	2.84
Netherlands		6.750	11/05	104.8600	+0.100	6.08	6.23	6.53
Portugal		11.875	02/05	109.4000	+0.050	10.23	10.29	11.27
Spain		10.150	01/06	0.0000	-	0.00	10.28	10.92
Sweden		6.000	02/05	84.3260	+0.280	8.53	8.74	9.21
UK Gilts		8.000	12/00	105-04	+10/32	6.77	6.95	7.49
		8.500	12/05	107-27	+22/32	7.37	7.59	8.06
		9.000	10/08	111-27	+27/32	7.54	7.72	8.17
US Treasury *		5.875	11/05	101-28	+18/32	5.63	5.87	6.11
		6.875	08/25	112-09	+15/32	5.98	6.23	6.43
ECU (French Govt)		7.500	04/05	102.7100	+0.020	7.09	7.17	7.88

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.63	Two year	5.29
Prime rate	8¾	Two month	5.50	Three year	5.31
Broker loan rate	7½	Three month	5.46	Five year	5.44
Fed.funds	5 13/16	Six month	5.40	10-year	5.62
Fed.funds at intervention	-	One year	5.32	30-year	5.87

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	119.68	120.22	+0.38	120.34	119.64	180,669	82,590
Mar	119.00	119.54	+0.34	119.62	119.00	25,035	35,070
Jun	119.24	119.78	+0.34	119.50	119.24	61	3,950

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jan	Calls Mar	Calls Jun	Puts Jan	Puts Mar	Puts Jun
116	-	-	-	0.07	0.36	0.66
117	-	3.02	-	0.12	0.53	0.92
118	-	2.32	-	0.26	0.82	-
119	1.07	1.69	-	0.53	1.13	-
120	0.55	1.16	-	1.02	-	-

Est. vol. total, Calls 16,482 Puts 15,481. Previous day's open int., Calls 124,851 Puts 109,004.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.45	99.70	+0.16	99.74	99.38	19333	18366
Mar	98.78	99.09	+0.21	99.16	98.69	174328	177748

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
9900	0.45	0.81	1.03	1.17	0.36	0.72	0.94	1.67
9950	0.23	0.57	0.78	0.95	0.64	0.98	1.19	1.95
10000	0.10	0.39	0.59	0.79	1.01	1.30	1.50	2.29

Est. vol. total, Calls 24998 Puts 9644. Previous day's open int., Calls 169763 Puts 137398

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	104.05	106.20	+1.98	106.24	104.01	60183	44245
Jun	105.60	105.70	+1.96	105.60	105.60	28	721

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
10600	1.93	2.53	1.73	2.83
10650	1.69	2.30	1.99	3.10
10700	1.46	2.08	2.26	3.38

Est. vol. total, Calls 2154 Puts 1703. Previous day's open int., Calls 31177 Puts 24367

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF) (Dec 5)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	92.96	93.01	+0.12	93.16	92.59	53,710	38,605
Mar	92.92	92.70	+0.16	92.92	92.59	3,129	9,375

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	110-17	111-18	+0-27	111-17	110-17	8869	41603
Mar	109-31	111-02	+0-29	111-02	109-28	109891	106629

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
111	0-47	1-19	1-40	1-60	0-43	1-15	1-36	2-28
112	0-21	0-54	1-10	1-34	1-17	1-50	2-06	3-02
113	0-08	0-33	0-51	1-11	2-04	2-29	2-47	3-43

Est. vol. total, Calls 6373 Puts 4754. Previous day's open int., Calls 24369 Puts 17818

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	90.68	90.72	-	90.86	90.62	1,867	9,596
Mar	89.66	89.66	-	89.68	89.66	112	1,186

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	120-16	121-20	+0-31	121-20	120-13	63,693	144,281
Mar	120-08	121-09	+0-28	121-12	120-06	321,958	292,280
Jun	120-03	120-27	+0-30	120-27	120-02	1,842	13,648

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	122.60			122.63	122.55	599	0
Mar	121.40			121.49	121.33	2302	0

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Dec 6	Day's change %	Tue Dec 5	Accrued interest	xd adj. ytd
1 Up to 5 years (22)	123.83	+0.20	123.59	2.48	9.72
2 5-15 years (22)	150.88	+0.67	149.88	1.78	11.73
3 Over 15 years (8)	168.88	+1.17	167.91	1.82	13.13
4 Irredeemables (6)	193.29	+0.82	191.72	1.23	13.71
5 All stocks (58)	145.88	+0.62	145.15	2.06	11.34
Index-linked					
6 Up to 5 years (1)	195.30	+0.01	195.28	0.99	8.37
7 Over 5 years (11)	190.42	+0.43	189.61	1.40	4.45
8 All stocks (12)	190.39	+0.41	189.60	1.39	4.54

	Low coupon yield Dec 6	Dec 5	Yr. ago	Medium coupon yield Dec 6	Dec 5	Yr. ago	High coupon yield Dec 6	Dec 5	Yr. ago
5 yrs	6.85	6.95	8.56	6.86	6.94	8.56	6.95	7.02	8.74
15 yrs	7.55	7.66	8.43	7.59	7.71	8.57	7.67	7.78	8.78
20 yrs	7.62	7.74	8.38	7.65	7.77	8.57	7.73	7.82	8.67
Irred.†	7.77	7.84	8.43						

	Inflation 5% Dec 6	Dec 5	Yr. ago	Inflation 10% Dec 6	Dec 5	Yr. ago
Up to 5 yrs	2.73	2.73	4.07	1.60	1.59	2.89
Over 5 yrs	3.48	3.51	3.90	3.28	3.31	3.71

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Dec 6	Dec 5	Dec 4	Dec 1	Nov 30	Yr ago	High*	Low*
Govt. Secs. (UK)	96.22	95.69	95.35	95.65	95.42	91.57	96.22	90.22
Fixed Interest	114.49	114.06	114.07	114.12	113.88	109.37	114.66	108.77

GILT EDGED ACTIVITY INDICES

	Dec 5	Dec 4	Dec 1	Nov 30	Nov 29
Gilt Edged bargains	109.1	86.1	104.4	109.4	119.6
5-day average	105.7	106.0	109.0	107.6	103.1

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on December 6

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1000	99⅜	99⅝		5.56
Abbey Natl Treasury 6½ 03	1000	102¼	102½	+⅛	6.11
ABN Amro Bank 7¼ 05	1000	106¾	107⅛		6.39
African Dev Bk 7¾ 23	500	107⅛	107¾	+⅛	6.79
Alberta Province 7⅝ 98	1000	105¼	105½		5.61
Asian Dev Bank 6¼ 05	750	102⅜	102½		6.02
Austria 8½ 00	400	109⅞	110⅛		5.74
Baden-Wuertt L-Fin 8⅛ 00	1000	108½	108⅝		5.75
Bank Ned Gemeenten 7 99	1000	104⅜	104⅝		5.65
Bayer Vereinsbk 8⅛ 00	500	108¼	108½		5.82
Belgium 5½ 03	1000	96¾	97	+⅛	6.03
BFCE 7¼ 97	150	102⅛	102¾		5.69
British Columbia 7¾ 02	500	109¼	109⅝	+⅛	5.99
British Gas 0 21	1500	15¼	15¾		7.53
Canada 6½ 97	3000	101⅝	101¾		5.38
Cheung Kong Fin 5½ 98	500	96½	97¼		6.90
China 6½ 04	1000	98⅛	99		6.92
Credit Foncier 9½ 99	300	110¼	111⅛		5.73
Denmark 5¾ 98	1000	100⅝	100⅞		5.43
East Japan Railway 6⅝ 04	600	102⅞	103¼		6.16
EIB 6 04	500	100⅛	100⅜		5.98
EIB 9¼ 97	1000	106⅞	107⅛		5.42
Elec de France 9 98	200	107	107⅜		5.61
Ex-Im Bank Japan 8 02	500	110¾	111		5.94
Export Dev Corp 9½ 98	150	109	109⅜		5.66
Fed Home Loan 7⅛ 99	1500	105	105⅛		5.66
Federal Natl Mort 7.40 04	1500	109⅞	110⅛	+⅛	6.00
Finland 6¾ 97	3000	102½	102⅝		5.46
Ford Motor Credit 6¼ 98	1500	101⅛	101¼		5.78
Ind Bk Japan Fin 7⅞ 97	200	102⅜	102¾		5.97
INI Finance 5¾ 98	650	99	99¼	+⅛	5.62
Inter-Amer Dev 7½ 05	500	110⅛	110⅜	+⅛	6.04
Intl Finance 5¼ 99	500	99½	99¾		5.43
Italy 6 03	2000	98¼	98		6.30
Italy 6⅞ 23	3500	96⅝	97	+⅛	7.28
Japan Dev Bk 8⅜ 01	500	111	111¼		5.85
Korea Elec Power 6⅜ 03	1350	100	100¼	+⅛	6.48
Matsushita Elec 7¼ 02	1000	106¾	107⅛		6.09
Norway 7¼ 97	1000	102¼	102⅜		5.45
Ontario 7⅜ 03	3000	107½	107¾	+⅛	6.16
Oster Kontrollbank 8½ 01	200	111¾	112		5.83
Portugal 5¾ 03	1000	98⅝	98⅞	+⅛	6.06
Quebec Hydro 9¾ 98	150	109½	109⅞	+⅛	5.97
Quebec Prov 9 98	200	108½	106⅞	+⅛	5.91
SAS 10 99	200	110⅞	111⅜		6.16
SNCF 9½ 98	150	109⅛	109½	-⅛	5.63
Spain 6½ 99	1500	102¾	103		5.67
Sweden 6½ 03	2000	103½	103¾		5.98
TENNESSEE VALLEY 6 00	1000	101½	101⅝		5.72
Tennessee Valley 6⅜ 05	2000	103⅜	103½	+⅛	5.89
Tokyo Elec Power 6⅛ 03	1000	100⅜	100½		6.10
Toyota Motor 5⅝ 98	1500	100⅜	100⅝		5.43
United Kingdom 7¼ 02	3000	108	108⅛	+⅛	5.83
World Bank 6⅜ 05	1500	103½	103⅝		5.86
World Bank 8⅜ 99	1500	109⅝	109⅞		5.62
World Bank 8¾ 97	1500	104⅛	104⅜		5.32
DEUTSCHE MARK STRAIGHTS					
Austria 6½ 24	2000	94⅝	94⅞	+⅛	6.94
Baden-Wuertt L-Finance 6 99	2000	104⅜	104½	-⅛	4.58
Credit Foncier 7¼ 03	2000	103¼	103⅝	+⅛	6.65
Denmark 6⅛ 98	2000	104¼	104⅜		4.16
Depfa Finance 6⅞ 03	1500	101	101⅛		6.30
Deutsche Bk Fin 7½ 03	2000	106⅞	107⅛	-⅛	6.28
EEC 6½ 00	2800	105½	105¾	+⅛	5.03
EIB 6¼ 00	1500	104¾	104⅞	+¼	5.00
Finland 7½ 00	3000	108¾	109	-⅛	5.10
Italy 7¼ 98	5000	105⅞	106		4.35
LKB Baden-Wuertt 6½ 08	2250	99	99⅛	+¼	6.61
Norway 6⅛ 98	1500	104⅛	104⅜		4.22
Ontario 6¼ 04	1500	99⅞	100⅛		6.27
Spain 7¼ 03	4000	106⅞	107	-⅛	6.04

	Issued	Bid	Offer	Chg.	Yield
Sweden 8 97	2500	106⅞	107⅛	-⅛	4.18
United Kingdom 7¼ 97	5500	105⅝	105⅝		3.98
Volkswagen Intl Fin 7 03	1000	104¾	105	+⅛	6.18
World Bank 0 15	2000	28⅞	29	+⅛	6.40
World Bank 5⅞ 03	3000	100⅛	100¼	+⅛	5.85
SWISS FRANC STRAIGHTS					
Asian Dev Bank 0 16	500	38	39		4.91
Austria 4½ 00	1000	105¾	106⅛	-⅛	3.01
Council Europe 4¾ 98	250	104¼	104½		2.73
Denmark 4¼ 99	1000	105⅛	105⅜	-¼	2.81
EIB 3¾ 99	1000	103½	103⅝		2.57
EIB 6¾ 04	300	115¼	115¾		4.61
Finland 7¼ 99	300	114	114½		3.30
Iceland 7⅜ 00	100	115	116		4.02
Inter Amer Dev 4¼ 03	600	105⅜	105⅞	+⅛	3.93
Ontario 6¼ 03	400	112	112½		4.26
Quebec Hydro 5 08	100	100	101	-1	5.00
SNCF 7 04	450	119	120	-¼	4.36
Sweden 4¼ 03	500	104½	104½		4.05
World Bank 0 21	700	28¾	29¼		4.92
World Bank 7 01	600	115⅝	116	-⅛	3.67
YEN STRAIGHTS					
Belgium 5 99	75000	113½	113¾		1.52
Credit Foncier 4¾ 02	75000	110⅞	111⅛		2.93
EIB 6⅝ 00	100000	120⅛	120⅝		1.65
Ex-Im Bank Japan 4⅜ 03	105000	111½	111¾	+⅛	2.72
Inter Amer Dev 7¼ 00	30000	123½	123¾		1.71
Italy 3½ 01	300000	105⅞	106	+⅛	2.37
Japan Dev Bk 5 99	100000	113⅜	113½		1.38
Japan Dev Bk 6½ 01	120000	123½	123⅝		2.14
Norway 5⅝ 97	150000	105¾	105⅞		0.51
SNCF 6¾ 00	30000	120¾	121	+⅛	1.64
Spain 5¼ 02	125000	119⅛	119⅝		2.40
Sweden 4⅝ 98	150000	108⅛	108⅜		0.82
World Bank 5¼ 02	250000	117⅝	117¾	+⅛	2.24
OTHER STRAIGHTS					
Finland 8 04 LFr	5000	105¾	106¼	-⅝	7.09
Genfinance Lux 9¼ 99 LFr	1000	108			6.38
IKB Deut Industbk 8½ 03 LFr	3000	106	107		7.38
ABN Amro 6⅝ 00 Fl	1000	105⅜	105¾	+⅛	5.20
Bank Ned Gemeenten 7 03 Fl	1500	106⅛	106½	+⅛	5.93
Bell Canada 10⅝ 99 C$	150	111	111½	+⅛	7.04
British Columbia 7¾ 03 C$	1250	102⅞	103¼		7.38
Canada Mtg & Hsg 8¼ 99 C$	1000	105⅛	105⅜	+⅛	6.74
EIB 10¼ 98 C$	130	107⅝	108¼	+⅛	6.37
Elec de France 9¾ 99 C$	275	109¾	109⅞	+⅛	6.82
KfW Intl Fin 10 01 C$	400	112⅛	112⅝	+¼	7.13
Nippon Tel Tel 10¼ 99 C$	200	111	111½	+⅛	6.90
Ontario 8 03 C$	1500	103¾	104⅛	+⅛	7.46
Ontario Hydro 10⅞ 99 C$	500	111¾	112	+¼	6.77
Oster Kontrollbank 10¼ 99 C$	150	110¾	111⅛	+⅛	6.79
Quebec Hydro 7 04 C$	1000	95¾	95⅞	+¼	7.84
Quebec Prov 10½ 98 C$	200	109½	109⅞	+⅛	6.87
Council Europe 9 01 Ecu	1100	110⅝	111		6.76
Credit Foncier 8⅜ 04 Ecu	1000	103½	103¾	+⅛	7.78
Denmark 8½ 02 Ecu	1000	108⅝	108⅞	+⅛	6.78
EC 6 00 Ecu	1000	98¾	99	+⅛	6.30
EIB 10 97 Ecu	1125	105¼	105½		5.29
Ferro del Stat 10¼ 98 Ecu	500	108	108⅜		5.93
Italy 10¾ 00 Ecu	1000	114⅞	115¼	+⅛	6.69
United Kingdom 9⅛ 01 Ecu	2750	111⅛	111¼	+⅛	6.53
AIDC 10 99 A$	100	106⅛	106½	-⅛	7.92
Comm Bk Australia 13¾ 99 A$	100	118⅛	118⅝	-⅛	7.99
EIB 7¾ 99 A$	350	101⅝	102⅛	-⅛	7.38
NSW Treasury Zero 0 20 A$	1000	12½	12⅞	+⅛	8.69
R & I Bank 7¾ 03 A$	125	95¾	95¾	-⅛	8.52
State Bk NSW 9 02 A$	300	103⅝	104	-⅛	8.27
Sth Aust Govt Fin 9 02 A$	150	102⅞	103¼	-⅛	8.42
Unilever Australia 12 98 A$	150	108⅜	108⅞	-⅛	7.89
Western Aust Treas 7¾ 98 A$	100	99⅞	100½	-⅛	7.65

	Issued	Bid	Offer	Chg.	Yield
Abbey Natl Treasury 8 03 £	1000	101⅜	101⅝	+¼	7.73
Alliance Leics 11⅜ 97 £	100	108¼	108½		6.56
British Land 8⅞ 23 £	150	95¾	96¼	+1	9.52
Denmark 6¾ 98 £	800	100	100¼		6.73
EIB 8 03 £	1000	102¾	102⅞	+⅜	7.50
Halifax 10⅜ 97 £	100	104½	104¾		6.44
Hanson 10⅜ 97 £	500	106⅛	106⅜		6.76
HSBC Holdings 11.69 02 £	153	117⅝	118	+⅜	8.13
Italy 10½ 14 £	400	114⅛	114½	+1	8.90
Japan Dev Bk 7 00 £	200	100	100⅜	+⅛	6.99
Land Secs 9½ 07 £	200	107⅝	108	+⅞	8.42
Ontario 11⅛ 01 £	100	115⅛	115½	+⅛	7.49
Powergen 8⅞ 03 £	250	105½	105¾	+⅜	7.84
Severn Trent 11½ 99 £	150	113¼	113⅝	+⅛	7.16
Tokyo Elec Power 11 01 £	150	115½	115⅞	+⅛	7.44
TCNZ Fin 9¼ 02 NZ$	75	109⅞	109⅞	+½	7.48
World Bank 12½ 97 NZ$	250	107	107½	-⅛	8.00
Credit Local 6 01 FFr	7000	97⅝	97⅞	+⅜	6.49
Elec de France 8¾ 22 FFr	3000	111⅝	112	+⅝	7.70
SNCF 9¼ 97 FFr	4000	104⅜	104⅞		5.74

FLOATING RATE NOTES

	Issued	Bid	Offer	C.cpn
Abbey Natl Treasury -1/16 99	1000	99.73	99.80	5.7500
Bankamerica ⅛ 99	750	99.66	99.77	6.0000
Belgium 1/16 97 DM	500	100.10	100.20	4.4375
Canada -¼ 99	2000	99.38	99.48	5.6250
CCCE 0 06 Ecu	200	99.37	99.52	5.2812
Commerzbk O/S Fin -⅛ 98	750	99.63	99.71	5.7500
Credit Lyonnais 1/16 00	300	97.78	98.20	5.8750
Credit Lyonnais 0.30 98	1250	100.04	100.14	6.2375
Denmark -⅛ 97	1000	99.98	100.04	5.6875
Dresdner Finance 1/16 98 DM	1000	100.03	100.12	4.1484
Ferro del Stat 0.10 97	420	100.03	100.19	5.7500
Finland 0 97	1000	100.04	100.11	5.7500
Finland -⅛ 99	1500	99.71	99.78	5.7812
IMI Bank Intl ¼ 99	600	100.01	100.11	6.1250
Italy 1/16 99	1500	99.78	99.85	6.0000
Italy ¼ 98	2000	100.05	100.13	6.1250
LKB Baden-Wuert Fin -⅛ 98	1000	99.88	99.95	5.6875
Lloyds Bank Perp S 0.10	600	82.42	83.50	5.9855
Malaysia 1/16 05	650	99.44	99.66	6.0000
New Zealand -⅛ 99	1000	99.85	99.93	5.8125
Nova Scotia 1/16 99	500	99.69	99.98	6.0625
Ontario 0 99	2000	99.79	99.87	5.8750
Renfe 0 98	500	99.69	99.83	5.6250
State Bk Victoria 0.05 99	125	99.95	100.10	5.9406
Sweden 0 98	1500	100.02	100.08	5.8750
Sweden -⅛ 01	2000	99.42	99.48	5.7500

CONVERTIBLE BONDS

	Issued	Conv. Price	Bid	Offer	Prem.
Browning-Ferris 6¾ 05	400	52½	99¾	100¾	+68.93
Chubb Capital 6 98	250	88	115	116	-0.60
Gold Kalgoorlie 7½ 00	65	1.37	107½	109	+22.10
Grand Metropolitan 6½ 00	710	4.37	112⅞	113⅞	+13.89
Hanson 9½ 06 £	500	2.48	100½	101⅛	+34.00
Hanson America 2.39 01	420	29.6375	82⅜	83⅛	+74.39
Hong Kong Land 4 01	410	31.05	84	85	-15.73
Land Secs 6¾ 02 £	84	6.72	96⅛	98⅛	+7.89
Lasmo 7¾ 05 £	90	5.64	89⅝	91	
Mitsui Bank 2⅝ 03	200	2332.6	82⅞	84⅞	+29.75
Mount Isa Fin 6½ 97	100	2.283	99	100	+65.66
Natl Power 6¼ 08 £	250	4.33	108¼	109⅛	-1.69
Ogden 6 02	85	39.077	94	95½	+63.25
Pennzoil 4¾ 03	500	58.8097	99⅛	100⅛	+14.87
Sumitomo Bank 3⅛ 04	300	3606.9	87⅛	88¼	+19.95
Sun Alliance 7¼ 08 £	155	3.9	107½	108⅜	-6.69
Transatlantic Hldgs 5½ 09 £	250	5.05	77½	78¼	+12.46

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts" (Lives up to Five Years)							
Treas 14pc 1996		13.88	6.45	100⅞	-⅛	108⅞	100⅞
15¼pc 1996‡‡		14.73	6.28	103 17/32	—	109⅝	103 17/32
Exch 13¼pc 1996‡‡		12.88	6.21	103 1/32	+1/32	107¼	103
Conversion 10pc 1996		9.66	6.12	103½	+1/16	104 13/16	103 3/32
Treas 13¼pc 1997‡‡		12.32	6.14	107 9/16	+1/16	109 13/16	107 13/32
Exch 10½pc 1997		10.00	6.10	105	+⅛	105 25/32	104 1/32
Treas Cnv 7pc 1997‡‡		6.91	6.16	101 9/32	+3/32	101 11/32	97¼
Treas 8¾pc 1997‡‡		8.40	6.17	104 5/32	+3/32	104 5/32	100 1/32
Exch 15pc 1997		13.00	6.22	115 13/32	+3/16	117 3/32	114 13/32
9¾pc 1998		9.13	6.28	106¾	+3/16	107 9/32	102¼
Treas 7¼pc 1998‡‡		7.11	6.33	101 31/32	+3/32	102	96 1/32
Treas 6¾pc 1995-98‡‡		6.75	6.74	100⅛	+1/16	100⅛	94 13/32
Treas 15½pc '98‡‡		12.60	6.44	122 31/32	+¼	124¼	120⅞
Exch 12pc 1998		10.48	6.50	114 13/32	+⅛	114 13/32	109 13/32
Treas 9½pc 1999‡‡		8.78	6.52	108 7/32	+3/32	108¼	100⅞
Treas Flg Rate 1999		-	-	100 5/32xd	—	100 5/32	99 13/32
Exch 12¼pc 1999		10.51	6.58	116 9/16	+3/32	116 13/16	111 3/16
Treas 10½pc 1999		9.39	6.60	111⅞	+3/32	111 13/16	105 13/32
Treas 6pc 1999‡‡		6.12	6.60	98 1/32	+3/32	98 1/16	89 25/32
Conversion 10¼pc 1999		9.14	6.71	112⅛	+¼	112 3/32	105⅛
Conv 9pc 2000‡‡		8.31	6.72	108¼	+3/16	108 9/32	100 13/16
Treas 13pc 2000		10.48	6.82	124	+3/16	124 1/32	117
14pc 1998-1		11.97	6.43	117	+3/16	117¼	114 3/32
Five to Fifteen Years							
Treas 8pc 2000‡‡		7.61	6.77	105 3/32xd	+3/16	105⅛	96 3/16
10pc 2001		8.83	6.91	113¼	+¼	113 3/16	104 13/16
7pc 2001 ‡‡		6.99	6.96	100 1/32	+13/32	100 1/16	90¼
9¾pc 2002		8.57	7.12	113 13/16	+13/32	113⅞	103 13/16
8pc 2003‡‡		7.64	7.17	104 23/32xd	+⅜	104 13/16	94⅜
10pc 2003		8.80	7.22	116¼	+13/32	116 5/16	105⅞
Treas 11½pc 2001-4		9.65	7.07	119 5/32	+13/32	119 5/32	110 13/16
Funding 3½pc 1999-4		4.24	6.06	82 7/16	+7/16	82 7/16	70½
Conversion 9½pc 2004		8.35	7.36	113¾	+¼	113 25/32	103 3/16
Treas 6¾pc 2004‡‡		7.03	7.37	96	+13/32	96 1/32	86 3/16
Conv 9½pc 2005		8.34	7.41	113⅞	+13/32	113⅞	103⅝

	Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Treas 12½pc 2003-5		9.58	7.33	130¼	+¼	[illegible]	[illegible]
Treas 8½pc 2005‡‡		7.88	7.37	107⅞xd	[illegible]	[illegible]	[illegible]
7½pc 2006‡‡		7.44	7.39	100 [illegible]xd	[illegible]	[illegible]	[illegible]
7¾pc 2006‡‡		7.59	7.45	102 [illegible]	[illegible]	[illegible]	[illegible]
8pc 2002-6‡‡		7.70	7.43	103 [illegible]	[illegible]	[illegible]	[illegible]
Treas 11¾pc 2003-7		9.45	7.29	124 [illegible]	[illegible]	[illegible]	[illegible]
Treas 8½pc 2007 ‡‡		7.89	7.49	107 [illegible]	[illegible]	[illegible]	[illegible]
13½pc 2004-8		9.78	7.33	137 [illegible]	[illegible]	[illegible]	[illegible]
Treas 9pc 2008 ‡‡		8.04	7.53	111 [illegible]	[illegible]	[illegible]	[illegible]
Treas 8pc 2009		7.74	7.57	103 [illegible]	[illegible]	[illegible]	[illegible]
Over Fifteen Years							
Treas 6 1/4pc 2010		7.12	7.63	87 [illegible]	[illegible]	[illegible]	[illegible]
Conv 9pc Ln 2011 ‡‡		8.00	7.62	112½xd	[illegible]	[illegible]	[illegible]
Treas 9pc 2012‡‡		7.98	7.62	112 [illegible]	[illegible]	[illegible]	[illegible]
Treas 5½pc 2008-12‡‡		6.68	7.33	82 [illegible]	[illegible]	[illegible]	[illegible]
Treas 8pc 2013‡‡		7.71	7.62	103 [illegible]	[illegible]	[illegible]	[illegible]
7¾pc 2012-15‡‡		7.68	7.63	100 [illegible]	[illegible]	[illegible]	[illegible]
8pc 2015		7.68	7.58	104 [illegible]xd	[illegible]	[illegible]	[illegible]
Treas 8¾pc 2017‡‡		7.84	7.84	111⅛	[illegible]	[illegible]	[illegible]
Exch 12pc 2013-17		8.47	7.70	141 [illegible]xd	[illegible]	[illegible]	[illegible]
Undated							
Consols 4pc		7.85	-	50 [illegible]	[illegible]	[illegible]	[illegible]
War Loan 3½pc‡‡		7.68	-	45 [illegible]	[illegible]	[illegible]	[illegible]
Conv 3½pc '61 Aft.		5.72	-	61 [illegible]	[illegible]	[illegible]	[illegible]
Treas 3pc '66 Aft.		8.07	-	37 [illegible]	[illegible]	[illegible]	[illegible]
Consols 2½pc		7.71	-	32 [illegible]xd	[illegible]	[illegible]	[illegible]
Treas. 2½pc		8.05	-	31 [illegible]	[illegible]	[illegible]	[illegible]

Index-Linked [illegible]

Other Fixed Interest [illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

هكذا من الاصل

CURRENCIES AND MONEY

MARKETS REPORT

D-Mark retreats as French franc rallies further

By Graham Bowley

The D-Mark weakened on the foreign exchanges yesterday on the back of weak German economic data and after a newspaper report that the German currency was to be pegged more closely to the French franc.

The report, which suggested that Mr Jacques Chirac, the French President, and Mr Helmut Kohl, the German chancellor, might announce a move to narrower currency bands at their summit in Germany today, was later denied by the French and German finance ministries.

But the report undermined the D-Mark and supported the franc. The French currency was also lifted by growing market confidence that the French government would be successful in achieving its planned public sector reforms.

Mr Paul Chertkow, head of global currency strategy at UBS in London, said: "The resolution of the French government [to proceed with the reforms] has caused a large move into the French franc."

He said that market speculation over the closer pegging of the German and French currencies had "simply reinforced the general move out of the D-Mark into the French franc".

The D-Mark also suffered against the Italian lira, which rallied strongly after the Italian finance ministry issued a draft budget amendment to scrap withholding tax on government bonds for all non-resident investors.

Sterling and the US dollar benefited from the D-Mark's weakness. The dollar broke through DM1.44, which was seen by analysts as a technically important level, to finish at DM1.4432 from DM1.4363 at the previous close. Against the yen, the dollar closed at Y101.440 from Y101.425.

■ Pound in New York

Dec 6	Latest	Prev. close
£ spot	1.5400	1.5440
1 mth	1.5420	1.5438
3 mth	1.5404	1.5415
1 yr	1.5316	1.5325

The franc finished in London at FFr3.444 against the D-Mark, from FFr3.454.

Pibor short-term interest rate futures, which had rallied sharply in recent sessions on renewed confidence in the government's policies, failed to make further headway yesterday.

The March contract closed unchanged at 94.55.

■ The main catalyst for the D-Mark's decline was economic data showing a dip in German industrial production in October.

This reinforced expectations that German interest rates would be cut soon. This was despite the fact that the German repo rate was left unchanged at 3.98 per cent at the Bundesbank's money market operations.

Mr Avinash Persaud, currency strategist at JP Morgan in London, said: "The market is expecting German rates to remain low and to fall further. This has increased investor appetite for high-yielding bonds and currencies and for risk."

The expectation of lower German interest rates buoyed German and other European government bond markets and underpinned the strength of the pound, the Spanish peseta and the Italian lira against the D-Mark. The lira finished at L1105 against the D-Mark, from L1112.

■ Dealers and currency analysts reacted with scepticism to the speculation of closer pegging of the French and German currencies. They said there was likely to be little truth behind the report.

"It seems more like wishful thinking on the part of Paris than a realistic objective," said Mr Persaud.

Mr Malcolm Barr, international economist at Chemical Bank in London, said: "The market remains sceptical because even if the authorities wanted to achieve it, it is very difficult to see how they would go about it operationally in the market."

But he said the report did contain "two grains of truth" – the French and German governments were moving towards a more common position on economic policy and towards closer co-ordination.

There were also likely to be growing pressure to keep the exchange rate stable in order to meet the Maastricht criteria for monetary union, he added.

■ Data showing a drop in UK industrial production in October had little impact on sterling although economists said it increased the likelihood of a cut in UK interest rates.

The pound closed in London almost unchanged against the dollar at $1.5403, from $1.5405. It gained more ground against the D-Mark, finishing at DM2.2229 from DM2.2125. The sterling trade weighted index finished at 82.9, from 82.8.

■ OTHER CURRENCIES

Dec 6	£	$
Czech Rp	40.8808 - 40.9082	26.5000 - 26.5600
Hungary	207.935 - 208.132	135.040 - 135.080
Iran	4622.10 - 4671.40	3000.00 - 3030.00
Kuwait	0.4618 - 0.4624	0.2998 - 0.3001
Poland	3.8878 - 3.8872	2.5219 - 2.5230
Russia	7079.57 - 7089.20	4595.00 - 4598.00
U.A.E.	5.6540 - 5.6595	3.6725 - 3.6733

POUND SPOT FORWARD AGAINST THE POUND

Dec 6		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.6400	+0.0706	317 - 483	15.6594	15.5282	15.5966	3.3	15.5525	2.2	-	-	106.5
Belgium	(BFr)	45.7201	+0.2853	859 - 742	45.7742	45.3780	45.6151	3.0	45.4451	2.5	44.7201	2.2	108.9
Denmark	(DKr)	8.6058	+0.0391	013 - 102	8.6136	8.5450	8.5942	1.6	8.5768	1.3	8.5183	1.0	109.2
Finland	(FM)	6.6347	+0.0376	270 - 424	6.6420	6.5730	6.6303	0.8	6.6222	0.8	-	-	87.9
France	(FFr)	7.6554	+0.011	523 - 584	7.5745	7.6261	7.6553	0.0	7.6601	-0.2	7.6338	0.3	110.0
Germany	(DM)	2.2229	+0.0104	218 - 240	2.2256	2.2045	2.2178	2.7	2.2095	2.4	2.1702	2.4	111.3
Greece	(Dr)	365.394	+0.773	194 - 593	366.065	363.514	-	-	-	-	-	-	66.7
Ireland	(I£)	0.9668	+0.0008	659 - 677	0.9677	0.9651	0.9658	1.2	0.9647	0.9	0.9612	0.6	97.6
Italy	(L)	2456.16	-4.17	444 - 788	2463.72	2450.05	2465.01	-4.3	2481.21	-4.1	2555.81	-4.0	71.1
Luxembourg	(LFr)	45.7301	+0.2853	859 - 742	45.7742	45.3780	45.6151	3.0	45.4451	2.5	44.7201	2.2	108.9
Netherlands	(Fl)	2.4913	+0.0149	902 - 924	2.4924	2.4710	2.4848	3.2	2.4748	2.6	2.4313	2.4	109.0
Norway	(NKr)	9.7914	+0.0408	854 - 973	9.8397	9.6952	9.7813	1.2	9.7598	1.3	9.6786	1.2	98.0
Portugal	(Es)	233.702	+1.21	557 - 847	233.847	231.177	234.127	-2.2	235.032	-2.3	-	-	94.7
Spain	(Pta)	189.605	+0.855	457 - 753	189.758	188.508	190.09	-3.1	191.035	-3.0	195.26	-3.0	81.7
Sweden	(SKr)	10.1081	+0.0148	992 - 169	10.1278	10.0199	10.11	-0.2	10.1136	-0.2	10.1266	-0.2	88.4
Switzerland	(SFr)	1.8002	+0.0032	989 - 014	1.8022	1.7947	1.7934	4.5	1.7815	4.1	1.7281	4.0	115.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	82.9
Ecu	-	1.2041	+0.0038	035 - 046	1.2052	1.1983	1.203	1.0	1.2016	0.8	1.1942	0.8	-
SDR†	-	1.035200	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5400	-0.0003	395 - 405	1.5450	1.5388	-	-	-	-	-	-	-
Brazil	(R$)	1.4883	-0.0001	874 - 891	1.4928	1.4872	-	-	-	-	-	-	-
Canada	(C$)	2.1033	-0.0034	023 - 043	2.1081	2.1003	2.1018	0.8	2.1006	0.5	2.0964	0.3	83.6
Mexico	(New Peso)	11.8139	+0.0058	949 - 326	11.8215	11.7903	-	-	-	-	-	-	-
USA	($)	1.5403	-0.0002	398 - 407	1.5453	1.5390	1.5394	0.7	1.5377	0.7	1.529	0.7	93.8
Pacific/Middle East/Africa													
Australia	(A$)	2.0814	-0.0073	794 - 834	2.0894	2.0754	2.0829	-0.9	2.0867	-1.0	2.1032	-1.0	85.3
Hong Kong	(HK$)	11.9143	-0.003	100 - 185	11.9529	11.9049	11.9072	0.7	11.8992	0.5	11.8727	0.3	-
India	(Rs)	53.6469	-0.055	158 - 780	53.8540	53.6260	-	-	-	-	-	-	-
Israel	(Shk)	4.7807	+0.0119	555 - 858	4.7834	4.7501	-	-	-	-	-	-	-
Japan	(Y)	156.243	-0.002	120 - 366	156.770	156.010	155.348	6.9	153.908	6.0	147.803	5.5	142.5
Malaysia	(M$)	3.9118	-0.0019	099 - 137	3.9235	3.9091	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3793	-0.003	777 - 809	2.3836	2.3768	2.3822	-1.5	2.3893	-1.7	2.4134	-1.4	100.2
Philippines	(Peso)	40.3161	-0.0219	658 - 663	40.3218	40.4096	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7759	-0.0031	739 - 779	5.7986	5.7729	-	-	-	-	-	-	-
Singapore	(S$)	2.1776	+0.0018	762 - 790	2.1818	2.1761	-	-	-	-	-	-	-
South Africa	(R)	5.6470	+0.0022	446 - 494	5.6647	5.6458	-	-	-	-	-	-	-
South Korea	(Won)	1185.45	-0.35	503 - 588	1189.42	1184.67	-	-	-	-	-	-	-
Taiwan	(T$)	42.0319	-0.0099	150 - 488	42.1712	42.0024	-	-	-	-	-	-	-
Thailand	(Bt)	38.7296	+0.0091	106 - 486	38.8410	38.7060	-	-	-	-	-	-	-

† Rates for Dec 5. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 6		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.1542	+0.0475	518 - 565	10.1610	10.0505	10.1387	1.8	10.1127	1.6	10.0092	1.4	106.6
Belgium	(BFr)	29.6900	+0.19	700 - 100	29.7100	29.3900	29.638	2.1	29.55	1.9	29.245	1.5	108.5
Denmark	(DKr)	5.5873	+0.0263	860 - 885	5.5920	5.5338	5.5835	0.8	5.5773	0.7	5.5948	-0.1	108.6
Finland	(FM)	4.3076	+0.0251	038 - 113	4.3113	4.2610	4.3026	1.4	4.2939	1.3	4.2651	1.0	87.2
France	(FFr)	4.9702	+0.0079	697 - 707	4.9825	4.9462	4.9737	-0.8	4.9812	-0.9	4.9927	-0.5	109.3
Germany	(DM)	1.4432	+0.0069	429 - 435	1.4448	1.4275	1.4409	1.9	1.4367	1.8	1.4192	1.7	110.9
Greece	(Dr)	237.230	+0.54	170 - 290	237.700	235.200	238.955	-8.7	242.155	-8.3	255.63	-7.8	66.1
Ireland	(I£)	1.5931	-0.0016	921 - 941	1.5980	1.5910	1.5936	-0.3	1.594	-0.2	1.5901	0.2	-
Italy	(L)	1594.65	-2.45	400 - 530	1597.75	1589.90	1601.5	-5.2	1613.55	-4.7	1671.65	-4.8	70.2
Luxembourg	(LFr)	29.6900	+0.19	700 - 100	29.7100	29.3900	29.638	2.1	29.55	1.9	29.245	1.5	108.8
Netherlands	(Fl)	1.6175	+0.01	172 - 177	1.6182	1.6025	1.6143	2.3	1.6093	2.0	1.5899	1.7	108.6
Norway	(NKr)	6.3570	+0.0275	550 - 590	6.3690	6.2909	6.3548	0.4	6.3465	0.7	6.3295	0.4	97.3
Portugal	(Es)	151.730	+0.81	680 - 780	151.850	149.550	152.105	-3.0	152.875	-3.0	156.48	-3.1	95.1
Spain	(Pta)	123.100	+0.445	040 - 160	123.160	122.170	123.495	-3.9	124.23	-3.7	127.72	-3.8	81.4
Sweden	(SKr)	6.5626	+0.0106	588 - 664	6.5786	6.4875	6.5796	-3.1	6.6091	-2.8	6.7466	-2.8	87.8
Switzerland	(SFr)	1.1688	+0.0023	683 - 692	1.1695	1.1620	1.1652	3.7	1.1585	3.5	1.1301	3.3	114.4
UK	(£)	1.5403	-0.0002	398 - 407	1.5453	1.5390	1.5394	0.7	1.5377	0.7	1.529	0.7	82.4
Ecu	-	1.2782	-0.0043	790 - 794	1.2872	1.2780	1.2795	-0.5	1.2798	-0.2	1.2805	-0.1	-
SDR†	-	0.67190	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	0.9663	+0.0001	660 - 665	0.9685	0.9660	-	-	-	-	-	-	-
Canada	(C$)	1.3656	-0.002	653 - 658	1.3680	1.3637	1.3656	0.0	1.366	-0.1	1.371	-0.4	82.8
Mexico	(New Peso)	7.6700	+0.005	600 - 800	7.6800	7.6500	7.6723	-0.4	7.6754	-0.3	7.6803	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	94.5
Pacific/Middle East/Africa													
Australia	(A$)	1.3514	-0.0043	504 - 523	1.3523	1.3504	1.3534	-1.8	1.3569	-1.6	1.3758	-1.8	85.6
Hong Kong	(HK$)	7.7353	-0.0007	348 - 358	7.7358	7.7348	7.736	-0.1	7.7378	-0.1	7.7648	-0.4	-
India	(Rs)	34.8300	-0.03	200 - 400	34.8700	34.8200	34.98	-5.2	35.285	-5.2	36.755	-5.5	-
Israel	(Shk)	3.0909	+0.0082	884 - 933	3.0933	3.0767	-	-	-	-	-	-	-
Japan	(Y)	101.440	+0.015	390 - 490	101.600	101.170	100.925	6.1	100.08	5.4	96.515	4.9	142.8
Malaysia	(M$)	2.5397	-0.0008	392 - 402	2.5420	2.5385	2.5406	-0.4	2.5467	-1.1	2.5702	-1.2	-
New Zealand	(NZ$)	1.5446	-0.0017	442 - 454	1.5454	1.5425	1.5477	-2.4	1.5535	-2.3	1.5781	-2.2	-
Philippines	(Peso)	26.1750	-0.01	500 - 000	26.2000	26.1500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7500	-0.0014	498 - 502	3.7513	3.7498	3.7504	-0.1	3.7511	-0.1	3.7545	-0.1	-
Singapore	(S$)	1.4138	+0.0013	133 - 143	1.4135	1.4123	1.4103	3.0	1.4042	2.7	1.3788	2.5	-
South Africa	(R)	3.6663	+0.002	658 - 668	3.6710	3.6610	3.6943	-9.1	3.7454	-8.6	3.9873	-8.8	-
South Korea	(Won)	769.650	-0.1	600 - 700	769.900	769.600	772.65	-4.7	776.15	-3.4	794.65	-3.2	-
Taiwan	(T$)	27.2890	-0.002	860 - 920	27.2920	27.2860	27.309	-0.9	27.349	-0.9	-	-	-
Thailand	(Bt)	25.1450	+0.01	400 - 500	25.1500	25.1300	25.2437	-4.7	25.4475	-4.8	26.33	-4.7	-

† SDR rate per $ for Dec 5. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 5: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

December 6	Over night	One month	Three mths	Six mths	One year	Lomb inter.	Dis. rate	Repo rate
Belgium	5⅜	5⅜	5¾	5¾	5¾	8.00	3.50	-
week ago	5⅜	5⅜	5⅝	[illegible]	5⅜	8.00	3.50	-
France	5¼	6	6	5⅞	5¾	4.60	-	6.10
week ago	5⅛	6	5⅞	5⅞	5¾	4.60	-	6.10
Germany	4¼	4⅛	3⅞	3⅞	3⅞	5.60	3.50	3.98
week ago	4⅜	4⅛	3⅞	[illegible]	[illegible]	5.60	3.50	3.98
Ireland	6¼	5⅞	5⅞	5¾	5⅞	-	-	6.25
week ago	5¾	5⅞	5¾	5¾	5¾	-	-	6.25
Italy	10⅝	10⅞	10⅞	10¾	10⅞	-	9.00	10.31
week ago	10¼	10⅞	10⅝	10⅝	10⅝	-	9.00	10.52
Netherlands	3¾	3⅞	3⅞	3⅞	3⅞	-	3.50	3.60
week ago	3¾	3⅞	3⅞	3⅞	3¾	-	3.50	3.60
Switzerland	2	2⅜	2¼	2¼	2¼	3.00	2.00	-
week ago	1⅞	2⅜	2¼	1⅞	1⅞	4.00	2.00	-
US	5⅞	5⅞	5⅞	5⅝	5⅝	-	5.25	-
week ago	5¾	5⅞	5⅝	5⅝	5⅝	-	5.25	-
Japan	½	½	½	½	¾	-	0.50	-
week ago	½	½	½	½	¾	-	0.50	-
■ $ LIBOR FT London Interbank Fixing	-	5⅞	5⅝	5⅝	5½	-	-	-
week ago	-	5⅞	5⅝	5⅝	5¾	-	-	-
US Dollar CDs	-	5.25	5.34	5.31	5.28	-	-	-
week ago	-	5.25	5.47	5.43	5.41	-	-	-
ECU Linked Ds	-	5⅜	5¼	5¼	5¼	-	-	-
week ago	-	5⅜	5⅜	5¼	5¼	-	-	-
SDR Linked Ds	-	3⅞	3⅞	3⅞	3⅞	-	-	-
week ago	-	3⅞	3⅞	3⅞	3⅞	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 6	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4¼ - 3⅞	4¼ - 3⅞	4 - 3⅞	3⅞ - 3⅞	3⅞ - 3⅞	3⅞ - 3¾
Danish Krone	5 - 4¾	5⅛ - 4⅞	5⅛ - 4⅞	5⅛ - 4⅞	4⅞ - 4⅞	5⅛ - 5⅛
D-Mark	4⅛ - 4⅛	4⅛ - 4⅛	4⅛ - 4	4 - 3⅞	3⅞ - 3¾	3¾ - 3⅝
Dutch Guilder	3¾ - 3⅝	3¾ - 3⅝	3¾ - 3⅝	3¾ - 3⅝	3¾ - 3⅝	3¾ - 3⅝
French Franc	5½ - 5¼	5¾ - 5½	6 - 5⅞	6 - 5½	5⅞ - 5¾	5⅞ - 5½
Portuguese Esc.	8⅞ - 8⅝	8⅞ - 8⅝	8⅞ - 8⅝	9 - 8¾	9 - 8⅞	9 - 8¾
Spanish Peseta	9½ - 9⅛	9⅝ - 9⅜	9⅝ - 9⅜	9⅝ - 9¼	9⅝ - 9¼	9⅝ - 9¼
Sterling	6⅞ - 6⅝	6⅞ - 6⅝	6⅞ - 6⅝	6⅞ - 6⅝	6⅝ - 6½	6⅝ - 6¼
Swiss Franc	2⅝ - 2⅜	2⅜ - 2⅛	2⅜ - 2⅛	2⅜ - 2⅛	2⅛ - 1⅞	2⅛ - 1⅞
Can Dollar	6⅛ - 5⅞	5⅞ - 5⅝	5⅞ - 5⅝	5⅞ - 5⅝	5⅞ - 5⅝	5⅞ - 5⅝
US Dollar	6 - 5⅝	5⅞ - 5⅝	5⅞ - 5⅝	5⅞ - 5⅝	5⅝ - 5⅜	5½ - 5⅜
Italian Lira	10⅝ - 10⅜	10½ - 10⅜	10½ - 10⅜	10½ - 10⅜	10½ - 10⅜	10½ - 10⅜
Yen	½ - ⅜	½ - ⅜	½ - ⅜	½ - ⅜	½ - ⅜	⅝ - ½
Asian $Sing	1¼ - 1	2 - 1¾	2½ - 2¼	2½ - 2¼	2⅝ - 2½	3 - 2¾

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.74	93.94	+0.20	94.03	93.54	66,482	40,298
Mar	94.45	94.55	+0.09	94.56	94.36	28,778	42,347
Jun	94.81	94.93	+0.08	94.95	94.80	8,686	33,673

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.06	96.06	-0.01	96.07	96.06	13003	130601
Mar	96.33	96.34	-	96.34	96.32	23273	157482
Jun	96.43	96.41	-0.03	96.43	96.40	13814	127533
Sep	96.37	96.36	-0.03	96.38	96.34	18361	104179

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	89.41	89.57	+0.12	89.60	89.40	4677	20651
Mar	89.72	89.92	+0.17	89.92	89.71	5073	32098
Jun	90.08	90.23	+0.14	90.23	90.05	934	17917
Sep	90.25	90.33	+0.12	90.32	90.25	234	10862

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	97.80	97.83	+0.05	97.85	97.78	3189	17163
Mar	98.05	98.06	-0.04	98.11	98.00	6024	22326
Jun	98.12	98.16	+0.05	98.17	98.10	1066	10430
Sep	98.11	98.14	+0.06	98.15	98.10	216	5421

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.51	94.58	+0.04	94.59	94.51	1147	5605
Mar	94.80	94.83	+0.02	94.84	94.80	863	5327
Jun	94.91	94.94	+0.01	94.94	94.91	122	4462
Sep	94.94	94.93	-	94.94	94.93	13	2254

* LIFFE futures also traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.28	94.28	-	94.29	94.27	46,163	303,719
Mar	94.70	94.73	+0.03	94.76	94.69	57,552	427,240
Jun	94.83	94.86	+0.02	94.89	94.83	80,620	332,154

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.89	94.89	-	94.89	94.88	2,843	3,614
Mar	95.12	95.17	+0.05	95.17	95.12	834	8,595
Jun	95.26	95.29	+0.03	95.29	95.26	708	1,426

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
9600	0.06	0.36	0.37	0.38	0.02	0.02	0.03	0.04
9625	0.02	0.14	0.17	0.19	0.21	0.05	0.08	0.10
9650	0	0.04	0.06	0.07	0.44	0.20	0.22	0.23

Est. vol. total, Calls 2637 Puts 1478. Previous day's open int., Calls 269075 Puts 266011

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9775	0.10	0.39	0.50	0.02	0.06	0.09
9800	0.02	0.20	0.31	0.19	0.12	0.15
9825	0	0.09	0.17	0.42	0.26	0.26

Est. vol. total, Calls 200 Puts 0. Previous day's open int., Calls 11612 Puts 2699

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
8950	0.15	0.69	1.03	0.08	0.27	0.30
8975	0.04	0.54	0.88	0.22	0.37	0.38
9000	0.01	0.40	0.70	0.44	0.48	0.47

Est. vol. total, Calls 325 Puts 0. Previous day's open int., Calls 15751 Puts 9213

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 6		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.82	16.74	4.861	2.115	5371	5.447	21.41	511.0	414.6	22.11	3.936	2.187	4.599	3.368	341.6	2.633
Denmark	(DKr)	53.14	10	8.895	2.583	1.124	2854	2.894	11.38	271.6	220.3	11.75	2.092	1.162	2.444	1.789	181.5	1.399
France	(FFr)	59.74	11.24	10	2.904	1.263	3208	3.254	12.79	305.3	247.7	13.21	2.351	1.306	2.747	2.012	204.0	1.573
Germany	(DM)	20.57	3.871	3.444	1	0.435	1105	1.121	4.404	105.1	85.29	4.548	0.810	0.450	0.946	0.693	70.27	0.542
Ireland	(I£)	47.29	8.900	7.916	2.299	1	2540	2.576	10.13	241.7	196.1	10.46	1.861	1.034	2.175	1.593	161.5	1.245
Italy	(L)	1.862	0.350	0.312	0.091	0.039	100.	0.101	0.399	9.515	7.720	0.412	0.073	0.041	0.086	0.063	6.360	0.049
Netherlands	(Fl)	18.36	3.455	3.073	0.892	0.388	985.9	1	3.931	93.82	76.11	4.059	0.723	0.401	0.844	0.618	62.71	0.483
Norway	(NKr)	46.71	8.790	7.818	2.270	0.988	2508	2.544	10	238.7	193.6	10.33	1.838	1.021	2.148	1.573	159.5	1.230
Portugal	(Es)	19.57	3.682	3.276	0.951	0.414	1051	1.066	4.190	100.	81.13	4.328	0.770	0.428	0.900	0.659	66.84	0.515
Spain	(Pta)	24.12	4.539	4.037	1.172	0.510	1295	1.314	5.164	123.3	100.	5.332	0.949	0.527	1.109	0.812	82.38	0.635
Sweden	(SKr)	45.23	8.512	7.572	2.199	0.956	2429	2.464	9.684	231.2	187.5	10	1.780	0.989	2.080	1.523	154.5	1.191
Switzerland	(SFr)	25.41	4.781	4.253	1.235	0.537	1364	1.384	5.439	129.8	105.3	5.617	1	0.556	1.168	0.856	86.78	0.669
UK	(£)	45.73	8.606	7.655	2.223	0.967	2456	2.491	9.791	233.7	189.6	10.11	1.800	1	2.103	1.540	156.2	1.204
Canada	(C$)	21.75	4.092	3.640	1.057	0.460	1168	1.184	4.656	111.1	90.16	4.807	0.856	0.476	1	0.732	74.27	0.573
US	($)	29.69	5.588	4.971	1.444	0.628	1595	1.618	6.358	151.8	123.1	6.565	1.169	0.649	1.366	1	101.4	0.782
Japan	(Y)	29.28	5.510	4.901	1.423	0.619	1572	1.595	6.268	149.6	121.4	6.472	1.152	0.640	1.346	0.986	100.	0.771
Ecu		37.98	7.148	6.358	1.846	0.803	2040	2.069	8.132	194.1	157.5	8.397	1.495	0.831	1.747	1.279	129.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6984	0.6938	-0.0046	0.7013	0.6938	20,171	60,919
Mar	0.7020	0.6970	-0.0044	0.7035	0.6970	2,422	15,295
Jun	0.7011	0.7013	-0.0029	0.7013	0.7011	105	934

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8591	0.8577	-0.0014	0.8605	0.8565	9,636	36,430
Mar	0.8665	0.8652	-0.0013	0.8672	0.8641	2,271	9,379
Jun	0.8715	0.8730	-0.0004	0.8730	0.8715	39	543

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.9901	0.9877	-0.0022	0.9902	0.9860	9,592	49,244
Mar	1.0084	1.0008	-0.0024	1.0034	1.0000	1,656	21,034
Jun	1.0125	1.0125	-0.0031	1.0125	1.0125	86	569

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5408	1.5394	-0.0036	1.5420	1.5380	13,203	48,027
Mar	1.5408	1.5376	-0.0032	1.5418	1.5360	1,567	5,370
Jun	-	1.5340	-0.0036	-	1.5330	8	18

EMS EUROPEAN CURRENCY UNIT RATES

Dec 6	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.10435	+0.00458	-2.22	5.72	16
Belgium	39.3960	38.6271	+0.0773	-1.95	5.43	14
Germany	1.91007	1.87900	+0.00397	-1.63	5.08	16
Austria	13.4383	13.2221	+0.0289	-1.61	5.06	12
Spain	162.493	160.067	-0.199	-1.49	4.94	10
Denmark	7.28580	7.27589	+0.01572	-0.14	3.51	1
Portugal	195.792	197.451	+0.299	0.85	2.50	-6
France	6.40608	6.48058	-0.01859	1.16	2.16	-10
Ireland	0.792214	0.818915	-0.000249	3.37	0.00	-23
NON ERM MEMBERS						
Greece	292.867	309.278	+0.029	5.60	-2.11	-
Italy	2106.15	2079.58	-13.99	-1.26	4.69	-
UK	0.786652	0.847311	-0.000371	7.71	-4.03	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	Calls Dec	Calls Jan	Calls Feb	Puts Dec	Puts Jan	Puts Feb
1.520	2.40	3.04	3.71	0.23	0.95	1.80
1.530	2.00	2.45	3.13	0.30	1.31	2.18
1.540	1.64	1.90	2.60	0.43	1.76	2.53
1.550	1.02	1.44	2.15	0.81	2.30	3.08
1.560	0.56	1.07	1.75	1.38	2.87	3.67
1.570	0.28	0.78	1.40	2.09	3.57	4.31

Previous day's vol., Calls 2,488 Puts 6,713. Prev. day's open int., Calls 258,261 Puts 304,548

UK INTEREST RATES

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.53	93.56	+0.02	93.57	93.53	8465	75628
Mar	93.81	93.87	+0.04	93.87	93.80	17016	92760
Jun	93.94	93.99	+0.03	94.00	93.93	10197	61765
Sep	93.93	93.99	+0.05	93.99	93.92	5874	43028
Dec	93.79	93.86	+0.05	93.86	93.79	3283	29619

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9350	0.11	0.44	0.63	0.05	0.07	0.14
9375	0.02	0.26	0.46	0.21	0.14	0.21
9400	0	0.13	0.30	0.44	0.26	0.31

Est. vol. total, Calls 3027 Puts 2469. Previous day's open int., Calls 169562 Puts 140267

LONDON MONEY RATES

Dec 6	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7⅛ - 6½	6⅞ - 6⅝	6⅞ - 6⅝	6⅝ - 6½	6⅝ - 6⅜	6⅜ - 6¼
Sterling CDs	-	-	6⅝ - 6⅝	6⅝ - 6⅝	6⅝ - 6¼	6¼ - 6⅛
Treasury Bills	-	-	6⅝ - 6½	6⅝ - 6¼	-	-
Bank Bills	-	-	6⅝ - 6⅝	6⅝ - 6⅝	6¼ - 6⅛	-
Local authority deps.	6⅞ - 6⅜	6⅞ - 6⅝	6⅞ - 6⅝	6½ - 6⅜	6⅜ - 6¼	6⅜ - 6⅛
Discount Market deps	6¾ - 6½	6⅞ - 6⅝	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5¾	5¼	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount 6.2256pc. ECGD fixed rate Stlg. Export Finance. Make up day Nov 30, 1995. Agreed rate for period Dec 26, 1995 to Jan 25, 1996, Schemes II & III 7.86pc. Reference rate for period Nov 1, 1995 to Nov 30, 1995, Schemes IV & V 6.720pc. Finance House Base Rate 7pc from December 1, 1995

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	•Singer & Friedlander	6.75
•Henry Ansbacher	6.75	•Robert Fleming & Co	6.75	•Smith & Williamson Secs	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	•Guinness Mahon	6.75	United Bank of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	•Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	•Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75		
•Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75		
Citibank NA	6.75	•Leopold Joseph & Sons	6.75	• Members of London Investment Banking Association	
Clydesdale Bank	6.75	Lloyds Bank	6.75	* In administration	
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		•Rea Brothers	6.75		

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Baring Bac Cap 2nd Pf		50¼	—	98	50¼	6.31	19.8	-
Cater Allen		450	—	525	410	140.7	8.5	7.3
Close Bros		327	—	*340½	216½	382.7	3.3	14.5
Gerrard & Nat		453xd	—	485	385	221.1	6.2	14.6
Hambros		209xd	-1	253	180	357.1	4.6	-
7½pc Cv Pf		99	—	112	94	123.7	9.8	-
Joseph (L)		463	—	483	353	24.5	5.1	25.6
King & Shaxson		137	—	145	85	36.2	8.2	10.6
Rea Brothers		49	—	67	44	21.9	2.8	18.0
Schroders		1335	-3	*1478	906½	2,016	1.3	19.0
NV		1138	—	*1188	823½	500.7	1.6	16.2
Singer & Fried		118	—	111	81	216.4	4.2	11.4
8½pc Cv Ln 09/14		£135½	—	£137	£1[illegible]	41.8	6.2	-
Union		105	-1	121	70	27.9	3.6	-
Wintrust		268	—	295	200	23.0	5.3	15.3

BANKS, RETAIL

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INSURANCE - Cont.

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS - Cont.

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

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Pembroke Hall, Pembroke, Bermuda

Prices for dealing December 6

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1256 Hamilton, Bermuda 001 809 292 2760
Jupiter Tyndall World Umbrella Fund Ltd

Newport Investment Management
73 Front street, Hamilton, Bermuda

Orion Fund Limited
6 Front St., Hamilton, HM11, Bermuda 441 292 6370

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Saracin Funds Mngmt (Guernsey) Ltd
PO Box 248, St Peter Port, Guernsey 01481 723021

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710661

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

CIBC Fund Managers (Guernsey) Ltd

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Dantrust Management (Guernsey) Ltd

Global Portfolio Management (Guernsey) Ltd

Guernsey Capital Management Limited

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

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LONDON STOCK EXCHANGE

MARKET REPORT

Footsie marginally easier after volatile session

By Stephen Thompson, UK Stock Market Editor

A resolute showing by gilts, in the face of another disappointing gilts auction, plus yet another record by Wall Street, helped London's equity market regain its equilibrium after a volatile trading session.

Earlier, London had moved higher, driven by Wall Street's overnight 37-point jump, and some encouraging company news, but then retreated in the wake of the news of the gilts auction and a sharper than expected fall in industrial output during October.

The FT-SE 100 index closed a net 1.4 off at 3,662.8, while the FT-SE Mid 250 lost 9.4 at 3,959.9, burdened by poor preliminary results from NFC, the transport group.

Dealers said London was also suffering from a bout of indigestion triggered by the government's sale on Tuesday of its remaining stake in British Petroleum, which took some £500m out of the marketplace.

Additionally, some of the large speculative positions built up in recent sessions as takeover talk has spread around the City's trading desks were said to have been unwound yesterday.

"The market has felt heavy for a couple of days and really needed some help from gilts today," was the view of one senior trader. Another said London was becoming increasingly volatile, "always a danger signal". He warned, however, that marketmakers were still short of stock and would eventually have to cover those shorts if Wall Street continued its startling upside performance. "I think there is one last sharp upward move in the market before Christmas," he added.

In the background, international markets continued to reflect a growing feeling that a round of interest rate cuts is on the cards this month, possibly starting in the UK where the regular monthly meeting between the chancellor of the exchequer and the governor of the Bank of England takes place next Wednesday. The Bundesbank council meets the day after and the US Federal Reserve Open Market Committee on December 19.

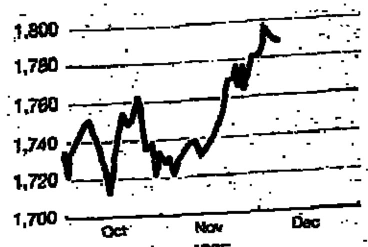
The London session began on a buoyant note, with dealers marking prices higher in response to the record on the Dow Jones Industrial Average and a number of impressive company reports.

Bass, the UK's second-largest brewing group, pleased the market with top of the range preliminary numbers and what was said to have been an impressive post-results meeting with analysts. And there was relief that the much rumoured bid for Ladbroke did not materialise. Bass shares were only topped in the FT-SE 100 performance table by Rank Organisation after a bullish trading update which said prospects for Rank were better than at any time in the 1990s to date.

On the downside, Inchcape remained depressed ahead of the expected demotion from the FT-SE 100 index, one of a long list of constituent changes which featured the elevation of two leading retailers, Argos and Burton.

Turnover at 6pm was 703.9m shares, with non-FT-SE 100 stocks accounting for 59 per cent. Customer business on Tuesday, inflated by the £500m BP bought deal carried out by SBC Warburg, was valued at £2.78bn.

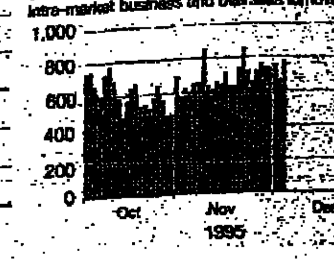
FT-SE-A All-Share index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3662.8	-1.4
FT-SE Mid 250	3959.9	-9.4
FT-SE-A 350	1814.3	-1.5
FT-SE-A All-Share	1788.24	-1.60
FT-SE-A All-Share yield	3.79	(3.79)

FT Ordinary index	2648.4	-2.7
FT-SE-A Non Fins p/e	16.60	(16.61)
FT-SE 100 Fut Dec	3672.5	-2.5
10 yr Gilt yield	7.37	(7.48)
Long gilt/equity yld ratio:	2.04	(2.06)

Best performing sectors

1. Breweries .... +1.6
2. Life Assurance .... +1.1
3. Oil, Integrated .... +1.0
4. Pharmaceuticals .... +0.8
5. Mineral Extraction .... +0.7

Worst performing sectors

1. Telecommunications .... -1.4
2. Gas Distribution .... -1.2
3. Distributors .... -1.1
4. Banks, Retail .... -0.9
5. Other Servs. & Bus. .... -0.8

BT slide gathers pace

BT must be wondering whether it should be adopting its own television advertising slogan.

In spite of suggesting that "it's good to talk", the company appears to be at loggerheads with Oftel, the relevant regulatory authority.

Meanwhile, the share price has plummeted as analysts fret over the prospects for future earnings and dividend growth for the company. Yesterday BT tumbled 13½ at worst on turnover of 24m shares. Over the past three trading days the company has lost more than 7 per cent of its capitalised value.

The most recent savaging was a delayed reaction to the consultative document issued by Mr Don Cruickshank, the regulator, on Monday. Comments linking the cost of capital with the company's returns were interpreted as a signal that the current price cap formula – the retail price index minus 7.5 per cent – will not be relaxed.

This is compounded by fear that the whole saga will rumble on for a year and a half and then end up in the hands of the Monopolies and Mergers Commission.

As a result, ABN Amro Hoare Govett finally abandoned its support for the company on the basis of the regulatory concern and moved to a hold recommendation - often viewed as "brokerspeak" for a sell.

Also, Lehman Brothers, the US brokerage, turned more negative and dropped its dividend growth forecast from 5 per cent to 3 per cent for the next three years.

The shares ended the day only 6 off at 352p.

Rank pleases

Leisure giant **Rank Organisation** was the day's star performer after it cheered the market with a positive trading update.

The company said the trading outlook next year was more favourable than over the last few years, which prompted active buying of the stock.

The stock appreciated by nearly 4 per cent as it advanced 16 to 425p, making it the session's best performing issue. Volume had reached 3.9m shares by the close.

Mr Bruce Jones at Merrill Lynch said: "This is the first leisure company to exceed expectations on its trading statement for some time; it is very encouraging indeed."

Analysts at Kleinwort Benson were also positive and said: "As the new opening programme accelerates and like for like comparisons from March 1996 (full year after scratch cards) take place, the outlook for the managed business longer term looks encouraging and we retain our long term positive stance."

Bass firmer

Better than expected figures from Bass sparked a wave of profits upgrades from brokers and sent the shares sharply towards the top of the league table of the day's best Footsie performers.

Full-year profits came in at £599m, against market expectations of between £588m and £591m. The shares soared on the news and closed 26 up at 695p after trade of 3.4m.

Analysts were also encouraged by the group's positive outlook, including news that it was hopeful that next week's government review on betting rules will benefit its leisure arm.

Analysts at Kleinwort Benson were among a long list of brokers cheered by the results. They were particularly pleased by the "good improvement in cash flow and the second half performance in both pubs and brewing". They lifted their current year estimate by £20m to £655m.

In the rest of the sector, **Allied Domecq** improved 5 to 494p following news that Sir Christopher Hogg, one of the UK's most respected business leaders, is to become chairman of the company next spring.

Banking shares were easier as bid premium in a couple of stocks faded away. However, **National Westminster** held up for most of the day on renewed hopes for the sale of its US Bancorp unit and after Cazenove, the stockbroker, was said to have recommended the stock. The shares, up 12 at best, gradually declined but closed only 3 off at 669p. This compared with perceived takeover candidates **Royal Bank of Scotland**, which fell 13 to 559p, and highly rated **Standard Chartered**, off 16 at 588p.

Midlands Electricity jumped 18 to 983p on further consideration of its £200m package of shareholder payouts.

Carlton Communications improved after revealing a 30 per cent rise in profits to £246.7m, above the top end of analysts' forecasts, and an increased final dividend. Analysts were moving up forecasts for the year to September 1996 to around £280m and the shares rose 3 to 1003p.

Internationally traded companies ran up on the rise and rise of Wall Street. **Glaxo Wellcome** got an extra lift from talk of a new flu treatment and closed 6½ better at 905½p. The oil majors, big international plays, rebounded from the stock indigestion caused by the placing of the UK government's 1.8 per cent stake in BP, 7 better at 524p. **Shell Transport** rose 5½ to 820½p. **BAT Industries**, restrained earlier by worries of a clash with institutional shareholders, recovered to end 3 up at 564p.

Oil exploration and production stock **Lasmo** was marginally firmer at 168½p in the wake of a recommendation from NatWest Securities.

Vymura, the wallpaper and paints group, plunged 34 to 105p after a profits warning. It said earnings would be down on the second half because of flat sales, difficulty in recovering raw material price rises and higher support costs. But it pledged to hold the dividend.

Psion, the computer manufacturer, tumbled 70 to 765p after losing one of its marketmakers. With only one marketmaker left the company must find another one or lose its screen-based quote.

Inchcape remained friendless as it was announced that the stock was being ejected from the premier FT-SE 100 listing. The shares fell 19 to 217p, the day's worst performer in the index, leaving dealers to wonder if the stock will have a better time in its new home in the FT-SE Mid 250 index.

Diversified industrials group **Williams Holdings** gained 7 to 321p after SBC Warburg turned a buyer of the stock. The broker said: "Williams' derating has gone too far. Security products and Fire protection offer significant growth potential, whilst any improvement in the industry background for building products could lead to a sharp uplift in profit estimates."

Retailer **Argos**, which will soon take up its place in the Footsie was in demand yesterday and the shares appreciated 9 to 561p.

Stagecoach improved 4 to 288p after winning the franchise to run South West trains.

Freight company **NFC** slipped 10 to 139p on the back of disappointing figures. Profits were down to £38.6m against £105.6m last time and more importantly against expectations of around £50m.

MARKET REPORTERS:
Peter John,
Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Dec 6	Dec 5	Dec 4	Dec 1	Nov 30	Yr ago	*High	*Low
Ordinary Share	2648.4	2651.1	2660.0	2670.6	2666.4	2318.7	2678.1	2238.3
Ord. div. yield	4.05	4.05	4.04	4.04	4.05	4.51	4.73	4.02
P/E ratio net	15.89	15.89	15.91	15.85	15.80	17.52	21.33	15.35
P/E ratio nil	15.72	15.72	15.73	15.76	15.70	17.08	22.21	15.17

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2657.3	2654.0	2644.5	2639.9	2641.3	2641.5	2643.6	2650.3	2646.1	2659.4	2639.1

	Dec 6	Dec 5	Dec 4	Dec 1	Nov 30	Yr ago
SEAQ bargains	27,906	31,069	32,729	30,592	28,016	18,293
Equity turnover (£m)†	-	2784.7	1534.7	2176.8	1842.9	1211.2
Equity bargains†	-	38,492	40,006	36,419	34,238	25,255
Shares traded (ml)†	-	784.4	636.6	765.7	743.2	484.3

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	647	Total Highs	189	Total contracts	-
Total Falls	532	Total Lows	55	Calls	-
Same	1,687			Puts	-

Dec. 6 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3683.0	3672.5	-2.5	3686.0	3652.0	10836	58250
Mar	3706.0	3696.0	-2.5	3708.0	3677.5	2786	21842
Jun	3690.5	3698.5	-1.5	3690.5	3690.0	30	1011

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3950.0	3950.0	-20.0	3950.0	3950.0	1060	2802
Mar	4000.0	4000.0	-18.0	4000.0	4000.0	1060	715

■ FT-SE 100 INDEX OPTION (LIFFE) (*3664) £10 per full index point

[illegible]	[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]	[illegible]

[illegible]

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	24.5	99	98	Abtrust High Inc C	98		-	-	-	-
-	F.P.	2.13	10	9	†Arion Props	9		v-	-	-	-
306	F.P.	48.8	303	285	BZW Eqs Bermuda	300	-2	v-	-	-	-
-	F.P.	61.8	103	101	Benfield & Rea	103		-	-	-	-
290	F.P.	220.9	347	298	CMG	346		Rv4.8	1.2	1.7	17.9
-	F.P.	28.0	29	26	Cash Converters	28		Mv2.6	5.1	11.6	20.9
-	F.P.	5.58	19	19	†Celebrated Grp	19		-	-	-	-
150	F.P.	72.6	160	150	Cortworth	152	-3	Rv5.8	2.1	4.8	12.5
-	F.P.	54.1	110	108	Cox Insurance	110		-	-	-	-
-	F.P.	13.2	448	448	East Surrey NV	448		-	-	-	-
100	F.P.	50.0	100	98	Finsbury Tech	100		-	-	-	-
-	F.P.	5.25	230	178	†Flomerics	205		v-	-	-	18.6
-	F.P.	15.8	146	125	Gardner (L)	141	-2	-	-	-	-
-	F.P.	3.87	116	88	Jasmin	95		-	-	-	-
-	F.P.	2.00	80	70	London Town	80		-	-	-	-
-	F.P.	32.0	95½	93½	Martin Currie Jp	94		-	-	-	-
-	F.P.	2.11	33	29	Do Warrants	31		-	-	-	-
-	F.P.	40.5	111	58	†Megalomedia	94	+11	-	-	-	-
200	F.P.	81.4	280	200	Peptide Th'peutics	240		-	-	-	-
-	F.P.	1.07	105	100	†Revelation P'dilly	100		-	-	-	-
-	F.P.	140.7	100½	95	Schroder Asia Pc	100½	+1	-	-	-	-
-	F.P.	190.0	45	36	†Trocadero	45		-	-	-	-
-	F.P.	159.4	280	263	Vero Group	263	-1	RWv5.1	1.8	2.4	29.0
-	F.P.	43.6	61	55	Wilmington	61		v-	-	-	28.6

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Dec 5	% chg on day	Dec 4	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	1923.14	+1.3	1898.83	1828.53	1.84	-	2063.66	1637.91
■ Regional Indices								
Africa (16)	2416.41	+2.3	2361.62	2923.71	4.12	21.61	3191.21	2272.74
Australasia (6)	2368.96	-2.7	2434.19	2411.40	2.08	37.06	2607.57	1788.20
North America (12)	1725.89	+1.7	1697.26	1417.00	0.78	49.60	1831.00	1348.18

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FT-SE Actuaries Share Indices — The UK Series

	Dec 6	Day's chge%	Dec 5	Dec 4	Dec 1	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3662.8	....	3664.2	3669.7	3680.4	3012.5	3.92	2.09	15.24	136.05	1457.19
FT-SE Mid 250	3959.9	-0.2	3969.3	3969.1	3963.7	3425.3	3.49	1.85	19.34	139.17	1549.42
FT-SE Mid 250 ex Inv Trusts	3973.1	-0.3	3983.2	3986.5	3981.0	3421.2	3.63	1.92	18.00	146.19	1555.08
FT-SE-A 350	1814.3	-0.1	1815.8	1817.9	1821.5	1509.1	3.83	2.04	15.98	66.57	1475.90
FT-SE-A 350 Higher Yield	1809.0	.....	1809.8	1812.8	1819.4	1514.3	4.84	1.84	14.02	81.47	1220.10
FT-SE-A 350 Lower Yield	1824.4	-0.1	1826.7	1827.9	1828.4	1465.1	2.79	2.40	18.66	50.44	1240.16
FT-SE SmallCap	1950.89	-0.2	1954.21	1954.26	1952.43	1751.26	3.31	1.71	22.08	59.25	1574.88
FT-SE SmallCap ex Inv Trusts	1929.60	-0.2	1933.57	1934.57	1932.91	1719.04	3.54	1.79	19.74	62.12	1565.99
FT-SE-A ALL-SHARE	1788.24	-0.1	1789.84	1791.78	1794.95	1495.82	3.79	2.02	16.30	64.77	1478.45

■ FT-SE Actuaries All-Share

	Dec 6	Day's chge%	Dec 5	Dec 4	Dec 1	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(23)	3165.87	+0.7	3142.49	3183.22	3152.96	2617.71	3.70	2.02	16.74	116.67	1332.20
12 Extractive Industries(7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
15 Oil, Integrated(3)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
16 Oil Exploration & Prod(13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
20 GEN INDUSTRIALS(277)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 Building & Construction(38)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Building Matls & Merchs(31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
23 Chemicals(23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
24 Diversified Industrials(20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Electronic & Elect Equip(36)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Engineering(69)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Engineering, Vehicles(13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
28 Paper, Pckg & Printing(27)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Textiles & Apparel(21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30 CONSUMER GOODS(89)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Breweries(17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Spirits, Wines & Ciders(9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33 Food Producers(24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Household Goods(11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Health Care(17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
37 Pharmaceuticals(10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
38 Tobacco(1)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 SERVICES(222)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Distributors(30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Leisure & Hotels(30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Media(43)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Retailers, Food(16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Retailers, General(44)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Support Services(37)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 Transport(22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Other Services & Business	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
60 UTILITIES(35)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Electricity	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64 Gas Distribution	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Telecommunications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 NON-FINANCIALS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 FINANCIALS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Banks, Retail	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
72 Banks, Merchant	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
73 Insurance	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
74 Life Assurance	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
77 Other Financial	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
79 Property	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
80 INVESTMENT TRUSTS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
89 FT-SE-A ALL-SHARE	1788.24	-0.1	1789.84	1791.78	1794.95	1495.82	3.79	2.02	16.30	64.77	1478.45
FT-SE-A Fledgling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A Fledgling ex Inv Trusts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Time of FT-SE 100 Day's high: [illegible]

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pharmaceuticals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banks, Retail	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

هكذا من الاصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 6 / Sch)

BELGIUM/LUXEMBOURG (Dec 6 / Frs.)

CZECH REP (Dec 6 / Korune)

DENMARK (Dec 6 / Kr)

FINLAND (Dec 5 / Mka)

FRANCE (Dec 6 / Frs.)

GERMANY (Dec 6 / Dm.)

GREECE (Dec 6 / Drachma)

ITALY (Dec 6 / Lire)

NETHERLANDS (Dec 6 / Fls.)

NORWAY (Dec 6 / Kroner)

POLAND (Dec 6 / Zloty)

PORTUGAL (Dec 6 / Escudo)

SPAIN (Dec 5 / Pts.)

SWEDEN (Dec 6 / Kronor)

SWITZERLAND (Dec 6 / Frs.)

TURKEY (Dec 6 / TK Lira)

PACIFIC

JAPAN (Dec 6 / Yen)

HONG KONG (Dec 6 / H.K.$)

INDONESIA (Dec 6 / Rupiah)

MALAYSIA (Dec 6 / MYR)

NEW ZEALAND (Dec 6 / NZ $)

SINGAPORE (Dec 6 / S$)

AUSTRALIA (Dec 6 / Aust$)

SOUTH KOREA (Dec 6 / Won)

TAIWAN (Dec 6 / TW $)

THAILAND (Dec 6 / Baht)

AFRICA

SOUTH AFRICA (Dec 6 / Rand)

NORTH AMERICA

CANADA

TORONTO (Dec 6 / Can $)
4 pm close

MONTREAL (Dec 6 / Can $)
4 pm close

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $

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INDICES

	Dec 6	Dec 5	Dec 4	1995 High		1995 Low	
DAX (30/12/87)‡	2267.18	2280.99	2252.16	2317.01	13/6	[illegible]	[illegible]
Greece							
Athens SE(31/12/80)	909.68	913.29	911.47	982.59	4/8	787.18	16/3
Hong Kong							
Hang Seng(31/7/64)	9886.89	9975.37	9949.63	10032.93	17/10	6967.93	23/1
India							
BSE Sens.(1979)	3069.92	3007.24	3036.23	3932.89	2/1	2922.16	29/11
Indonesia							
Jakarta Comp.(10/8/82)	495.28	496.78	493.92	519.18	11/8	414.21	19/4
Ireland							
ISEQ Overall(4/1/88)	2253.06	2249.54	2230.42	2253.88	6/12	1813.09	23/1
Italy							
Banca Comm Ital (1972)	553.31	547.78	550.02	680.54	10/2	547.78	5/12
MIB General (2/1/95)	874.0	865.0	869.0	1076.00	10/2	865.00	5/12
Japan							
Nikkei 225 (16/5/49)	19087.88	18979.53	18697.37	19684.04	4/1	14485.41	3/7
Nikkei 300 (1/10/82)	283.90	282.35	282.31	288.16	4/1	222.26	13/6
Switzerland							
Swiss Bk Ind (31/12/58)	1504.59	1506.08	1508.68	1508.68	4/12	1174.83	13/3
SBC General (1/4/87)	1120.94	1120.36	1120.18	1120.94	6/12	870.58	19/3
Taiwan							
Weighted Pr.(30/6/66)	4722.93	4772.97	4745.89	7051.49	5/1	4503.37	14/8
Thailand							
Bangkok SET (30/4/75)	1275.63	(c)	1254.32	1472.04	10/7	1135.89	16/8
Turkey							
Istanbul Comp.(Jan 1986)	40883.0	43884.2	40435.5	54893.90	21/4	24844.31	23/1
WORLD							
MS Capital Int (1/1/70)$	727.1	725.1	722.8	727.18	6/12	598.21	23/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1454.49	1452.97	1446.02	1480.89	15/9	1222.41	13/3
Euro Top-100 (26/6/90)	1315.95	1311.82	1305.98	1316.88	15/9	1117.34	9/3
JCapeEnges (31/12/88)	(u)	337.0	335.65	349.47	14/7	282.07	23/1
Barings Emerg.(7/1/92)	144.93	144.85	144.18	158.07	2/1	117.15	10/3

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x index)							
Dec	1821.0	1847.0	+23.0	1848.0	1819.0	15,898	42,158
Jan	1831.0	1855.5	+22.5	1855.0	1829.5	105	3,562
DAX							
Dec	2264.5	2276.5	+4.5	2281.5	2262.0	16,937	93,873
Mar	2286.5	2298.0	+6.0	2303.0	2284.5	3,324	18,326
OMX							
Dec	1368.00	1378.00	+10.00	1378.00	1362.00	2,441	14,362
Jan	1378.00	1385.25	+3.25	1385.25	1378.00	12	494
SOFFEX							
Dec	3282.9	3282.0	-0.5	3288.0	3275.0	3,594	13,155
Jan	3290.1	3290.0	–	3291.0	3290.0	112	1,392

** Sat Dec 2 : Taiwan Weighted Price (a) : Korea Comp Ex 981.23. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp/Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Dec 6 - 2274.94 +6.80.

US INDICES

Dow Jones	Dec 5	Dec 4	Dec 1	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	5177.45	5139.52	5087.13	5177.45 (5/12)	3832.08 (30/1)	5177.45 (5/12/95)	41.22 (2/7/32)
Home Bonds	105.20	104.86	104.92	105.29 (5/12)	93.83 (3/1)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2092.11	2086.26	2082.25	2092.11 (5/12)	1473.19 (3/1)	2092.11 (5/12/95)	12.32 (8/7/32)
Utilities	220.14	218.16	216.12	220.14 (5/12)	183.03 (3/1)	256.48 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5216.88 (5157.58) Low 5108.45 (5057.87) (Theoretical♦)
Day's high 5191.84 (5139.52) Low 5134.82 (5074.13) (Actual♦)

Standard and Poors	Dec 5	Dec 4	Dec 1	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	617.68	613.68	606.98	617.68 (5/12)	459.11 (3/1)	617.68 (5/12/95)	4.40 (1/6/32)
Industrials♥	724.95	719.35	712.19	724.95 (5/12)	548.28 (3/1)	724.95 (5/12/95)	3.62 (21/6/32)
Financial	63.21	63.02	61.87	63.21 (5/12)	41.64 (3/1)	63.21 (5/12/95)	8.64 (1/10/74)
NYSE Comp.	328.79	327.60	324.43	328.79 (5/12)	250.73 (3/1)	328.79 (5/12/95)	4.46 (25/4/42)
Amex Mkt Val	539.41	538.33	538.64	563.58 (12/9)	433.12 (6/1)	563.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Comp	1065.89	1069.79	1055.31	1069.79 (4/12)	743.58 (3/1)	1069.79 (4/12/95)	54.87 (31/10/72)

RATIOS

	Dec 1	Nov 24	Nov 17	Year ago
Dow Jones Ind. Div. Yield	2.30	2.32	2.35	2.84
	Nov 29	Nov 22	Nov 15	Year ago
S & P Ind. Div. yield	2.00	2.01	2.03	2.46
S & P Ind. P/E ratio	18.64	18.36	18.37	18.42

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Burl Nth SFe	9,440,800	82¼	+1¼
Micron	6,770,800	51¾	-⅛
LSI Logic	5,715,900	40⅝	-3⅝
Telefonos	5,627,700	31¼	-⅛
Kmart	4,842,300	8	–
Motorola	4,230,000	60⅝	+⅛
Silicon Grph	4,195,400	37⅛	+⅜
Ford Motor	3,995,600	29⅛	-⅛
Texas Inst	3,801,300	53⅛	-1½
WalMart	3,647,500	24⅝	+⅛

TRADING ACTIVITY

● Volume (million)	Dec 5	Dec 4	Dec 1
New York SE	434.000	392.658	392.658
Amex	25.567	22.291	22.420
NASDAQ	578.120	514.884	587.970
NYSE			
Issues Traded	3,106	3,108	3,082
Rises	1,399	1,670	1,400
Falls	961	783	928
Unchanged	746	655	754
New Highs	346	357	205
New Lows	21	21	29

	Open	Latest	Change	High	Low	Est. vol.	Open int.
S&P 500							
Dec	618.45	622.70	+3.95	622.70	618.30	93,573	159,909
Mar	625.90	628.30	+3.85	628.30	625.50	20,715	69,102
	Open	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open int.**
Nikkei 225							
Dec	18800.0	19030.0	+110.0	19150.0	18880.0	15,778	98,705
Mar	18910.0	19080.0	+110.0	19190.0	18910.0	34,730	116,586

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

TOKYO - MOST ACTIVE STOCKS: Wednesday, December 6, 1995

	Stocks Traded	Closing Prices	Change on day
Toshiba Corp	21.8m	781	+35
Oki Electric Ind	12.7m	890	+36
Nippon Steel Corp	11.7m	356	+3
Fujitsu	8.8m	1260	+50
Nissho Iwai	7.1m	550	+20
NKK Corp	6.5m	280	-1
Hitachi	6.0m	1040	+20
Sumitomo Hvy Ind	5.6m	346	+13
NEC Corp	5.5m	1340	+40
Mitsubishi Hvy	5.4m	825	+5

4 pm close December 6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	1995 Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19	12 1/8	AAR	0.48	2.6	25	45	18 5/8	18 3/8	18 5/8	
48 1/4	35	AMP	0.92	2.3	21	3507	42	40 7/8	40 7/8	
80 1/4	53 1/8	AMR			18	8630	78 1/8	77 1/4	78	+3/8
47 7/8	36 3/8	ASA	1.71	4.3	26	1320	40 1/2	39 5/8	39 3/4	-1/2
44 3/4	30 3/4	AbbtL	0.84	2.0	20	18058	41 3/4	40 5/8	41 3/4	+1 3/8
18 7/8	12	Abitibi Pr x	0.40	2.5	8	1912	15 7/8	15 1/4	15 3/4	+1/2
29 1/2	21	ABM Ind	0.60	2.1	15	70	28	27 7/8	28	
17 1/2	13 1/8	Acptncein			10	84	14 7/8	14 1/2	14 3/4	
37 1/4	21 7/8	ACE Ltd	0.56	1.5	9	4599	u38 1/2	36 5/8	38 3/8	+1 1/2
9 7/8	8 1/8	ACM Gvt In x	0.90	9.4	8	303	9 5/8	9 1/2	9 5/8	+1/8
7 3/4	6 1/2	ACM GvOpp x	0.86	8.9		85	7 3/8	7 3/8	7 3/8	-1/8
7 1/2	5 3/4	ACM Gvt Sp x	0.75	10.7		111	7	6 7/8	7	+1/8
8 3/4	7 1/4	ACM Gvt Se x	0.80	10.4		331	8 5/8	8 1/2	8 5/8	
9 1/2	7 5/8	ACM Man x	0.90	10.3		334	9	8 3/4	8 3/4	-1/8
29 1/4	10 1/4	AcmeClv	0.48	2.2	39	176	22 3/8	21 1/2	22	-1/2
38 3/4	7 3/8	Acme Elect			69	415	8 1/2	8 1/4	8 3/8	
34 1/2	23 3/4	Acordia x	0.72	2.8	15	6	26 1/8	26 1/8	26 1/8	
16 3/4	10 7/8	Acuson			35	372	11 7/8	11 1/2	11 1/2	-1/4
19 5/8	15 5/8	Adams Expr	0.48	2.6	0	152	18 1/2	18 3/8	18 1/2	+1/8
36 7/8	2 7/8	AdvMic			6	15853	20 1/4	19 1/2	20	-1/8
9 3/4	5	Advest Grp	0.16	1.7	12	41	9 1/4	9 1/8	9 1/4	+1/8
27 1/2	16 1/2	Advo Inc	0.10	0.4	20	679	27	26 3/8	27	+1/4
42 5/8	24.80	Aegon	1.28	3.1	15	174	41 7/8	41 1/4	41 1/4	-1 1/4
5 7/8	3 1/8	Aeriflx			8	59	4 3/8	4 1/4	4 3/8	
76 3/4	46 3/4	AetnaL	2.76	3.8	34	5325	72 5/8	71 3/4	72 1/4	+1/4
44 3/4	31 7/8	Aflac	0.52	1.2	12	2900	41 7/8	41 1/8	41 5/8	+3/8
28 3/8	18	Ahmnsn	0.88	3.2	8	4685	27 1/2	26 7/8	27 1/8	-3/8
59 1/2	43 7/8	AirPrC	1.04	1.8	17	3705	57 1/2	56 1/4	57 1/2	+1 3/8
29 1/2	18 3/8	Airbne Frt	0.30	1.1	26	1294	28 1/4	27 1/4	28 1/8	-1/8
31	19 5/8	Airgas Inc			27	525	30 1/8	29 7/8	30 1/8	
18	13 3/8	Airlease	2.00	11.2	12	23	17 7/8	17 5/8	17 7/8	+1/8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

[illegible]

4 pm close December 6

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close December 6

AMEX COMPOSITE PRICES

4 pm close December 6

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Adv Magn		78	12	25	25	25	+⅛
Allin Inc		10	22	1¼	1¼	1¼	-⅛
Alpha Ind		29	257	14⅝	13⅞	13⅞	-¾
Am Isr Pa	1.05	8	z100	47¾	47¾	47¾	+¼
Amdahl x	0.05	10	4337	9½	9 3/16	9 7/16	-⅝
AmerExpl		2	122	10¼	10⅛	10⅛	-⅛
Ampal-AmA		46	138	5 5/16	5⅜	5 5/16	+1/16
ASR Invs	2.80	6	95	17⅜	16⅝	17⅛	+½
Astrotech		14	108	4	3⅞	3 15/16	+1/16
Atari		35	239	1½	d1 7/16	1 7/16	
Audiovox A		5	149	6⅛	6	6⅛	
AvivaPtDR		75	z100	4½	4½	4½	
BGH Ocean x	0.68	2	15	2¼	2¼	2¼	
BadgerMr x	0.80	11	3	23¼	23¼	23¼	+¼
BaldwnT A	0.04	15	162	5¼	5⅛	5¼	+⅛
BATadr	0.74	12	42	17 11/16	17½	17 11/16	+3/16
Beard		14	6	2¼	2¼	2¼	
[illegible]	0.40	17	z100	24⅛	24⅛	24⅛	-⅛
Bio-Rad A		14	80	42	41	41	-1½
Bowmar		4	239	2 7/16	2⅜	2⅝	
Bowne	0.36	18	247	19⅞	19½	19⅝	+⅛
Brascan A	1.04	20	353	17⅛	17	17⅛	+⅛
Calprop		20	216	11/16	d⅝	⅝	-1/16
Cambrex	0.20	13	594	39	38½	39	+⅜
Can Marc	0.14	26	z100	9¼	9¼	9¼	
Cntl FdA	0.01		161	4 11/16	4⅝	4 11/16	+1/16
Continco	0.30	14	4	21⅛	20¾	21⅛	+⅜
CmpTch		81	62	9	8½	9	+⅛
Computrac		19	94	2 7/16	2 5/16	2⅜	
Concd FbA		6	49	4	d3⅝	4	+⅛
CrossAT A	0.64	22	43	16¼	15⅞	15⅞	-¼
Crown C A	0.40	13	18	13⅞	13⅞	13⅞	-⅛
Crown C B x	0.40	11	72	13⅞	13¾	13¾	+¼
Cubic	0.53	31	19	24⅛	24	24⅛	
Customedix		8	3	1⅞	1⅞	1⅞	
DI Inds		11	80	11/16	d⅝	11/16	+1/16
Dimark		25	61	14⅝	14⅜	14½	-¼
Ducommun		12	90	10⅛	9⅞	10⅛	+3/16
Duplex	0.48	42	67	7¾	7 9/16	7 9/16	-3/16
Eastn Co	0.46	10	54	11⅝	11½	11⅝	+⅛
Echo Bay	0.07	31	6929	11¼	10⅞	11	
Ecol En A x	0.32	14	91	7⅜	d7⅜	7⅜	-¼
Edisto Rs		38	86	5½	5¼	5⅜	
Ensco Int		33	5380	19⅛	18¾	19	+¼
Epitope		7	261	11⅛	11	11⅛	
Fab Inds x	0.70	15	35	30	29⅝	30	
Fina A x	2.40	9	6	48½	48¼	48½	+¼
FstCityBnc	0.20	30	13	25	25	25	+⅞
Forest La		19	2417	45⅞	44⅞	45⅛	+⅜
Frequency		5	1458	3½	3½	3½	-⅛
Garan	0.80	15	13	17⅜	17⅛	17⅛	-⅜
Giant FdA	0.74	19	1642	33⅛	32⅝	32⅝	-½
Glatfltr	0.70	11	111	19	18⅝	18⅝	-⅛
Goldfield		7	214	⅝	d9/16	9/16	-1/16
Greenman		18	32	12½	12⅜	12½	
Gulf Cda	0.34	5	128	4 5/16	4 3/16	4 5/16	-1/16
HanDir		13	774	1¾	1⅝	1⅝	-⅛
Hasbro	0.32	19	3511	32⅝	31⅝	31⅞	
Health Ch		75	3	1½	1½	1½	
Heico	0.15	19	3	18¼	18¼	18¼	
[illegible]		15	254	7¼	7	7¼	+¼
InstronCp x	0.16	16	3	12⅜	12⅛	12⅜	
Int. Comm		9	2938	8¾	8⅜	8 7/16	-3/16
Intermagn		64	2882	u27⅛	25	25	-¼
Ivax	0.06	35	4712	27½	27¼	27⅜	+⅛
Jan Bell		0	351	2⅝	2½	2½	-1/16
Kinark Cp		11	12	2¾	2 11/16	2 11/16	-1/16
Kirby Exp		48	84	17¼	17	17⅛	
KogrEq		7	106	9 13/16	9 9/16	9 13/16	+⅛
Laberge		34	284	3⅛	3 1/16	3 1/16	
Laser Ind		12	261	10⅝	10½	10½	-¼
Lee Pharm		1	70	⅜	5/16	5/16	
Lumex Inc		27	125	9¾	9½	9½	-¼
Lynch Cp		19	5	63¾	62¼	63¾	+¾
Maxxam		33	128	39¼	38½	38⅝	-⅜
Media A x	0.48	17	183	30¾	30	30⅝	-⅛
Mem Co x	0.20	5	6	2 13/16	d2 13/16	2 13/16	-1/16
Metromedia		5	1658	15⅛	14½	14½	-¼
Mitel Ltd			20	5⅞	d5¾	5¾	
Moog A		14	18	14⅜	14⅛	14⅛	-⅛
MSR Expl		15	76	1⅛	1 1/16	1 1/16	-1/16
NatPatDev		36	794	10⅝	9⅝	9⅝	-¼
NY Tms A x	0.56	20	2086	29⅞	29⅜	29½	-¼
NumacE		96	24	3 13/16	d3⅝	3⅝	-3/16
NVR		10	2451	10	9 13/16	10	+⅛
Pegasus G	0.10	138	2387	13⅞	13½	13⅞	+¼
Perini	0.80	1	286	9¼	9	9¼	
Pittway A	0.30	34	55	u85½	85	85	
PMC	1.02	10	61	13⅛	12⅞	12⅞	-⅛
PresidioA	0.16	0	1130	[illegible]	[illegible]	[illegible]	
RegalBcst		35	z100	34½	34½	34½	
SJW Corp	2.16	10	4	34½	34½	34½	
Tab Prods	0.20	25	127	6⅞	6¾	6⅞	
TeleData	0.36	30	1957	37¾	36¾	37¼	-½
Thermedics		53	619	23½	23	23⅛	-⅜
Thermolase		30	180	32⅛	31⅞	32⅛	
TotlPNA	0.30	141	1237	10⅛	9 15/16	9 15/16	-3/16
TownCntry		3	71	11/16	11/16	11/16	
Trilon		5	6013	3 1/16	3	3	
Tubos Mex		10	968	6⅞	6¾	6¾	
TurnrBdA x	0.07	79	122	25⅞	25⅜	25½	-¼
TurnrBdB x	0.07	80	1358	25¾	25¼	25¼	-⅜
UtdFoodsA		4	28	1⅞	1¾	1⅞	
UtdFoodsB	0.20	40	16	2	2	2	-⅛
US Cellul		35	134	34⅝	34½	34½	
ViacomA		155	587	47⅛	46¼	46¾	-¼
ViacomB			15787	47⅞	46¾	47⅛	-¼
WRET	1.12	18	222	10⅝	d10½	10⅝	
Xytronyx		2	316	1¾	1½	1½	-⅛

AMERICA

Bond market gains lead US stocks higher

Wall Street

US share prices rallied in early trading yesterday as the bond market soared, but stocks proved unable to hold all their gain amid uncertainty about the strength of the economy next year, *writes Lisa Bransten in New York.*

The Dow Jones Industrial Average shot through the 5,200 mark in the first 15 minutes of trading, rising as much as 31.80 points to 5,309.25, but by 1 pm the index of blue chip shares had retreated to a rise of 10.12 at 5,187.57.

The Standard & Poor's 500 also moved sharply higher at the beginning of the session and then moved off its high by 1 pm when it was 0.81 stronger at 618.49. The American Stock Exchange composite shed 1.04 to 538.37. NYSE volume was heavy at 247m shares.

Gains were led by the bond market, where a weak index of leading economic indicators sent the price on the long bond sharply higher, causing the yield to move below 6 per cent and hold that level for the first time in more than two years.

Financial groups, which would benefit if economic weakness led the Federal Reserve to lower interest rates, were stronger yesterday. JP Morgan, which is a component of the Dow, added $⅞ at $81⅞, Chase Manhattan Bank was $1 stronger at $63¼ and NationsBank rose $1¼ at $73⅞.

Also strong were producers of consumer products that tend outperform other companies in periods of slow economic growth. In the Dow, Eastman Kodak added $1⅜ at $67⅜, Philip Morris was $1 stronger at $90⅝, and Proctor & Gamble was $⅝ stronger at $87⅛.

Meanwhile the technology sector continued to retrace the sharp gains made on Monday. The Nasdaq composite shed 5.68 at 1,060.21 and the Pacific Stock Exchange technology index gave up 1 per cent.

Elsewhere, Gucci jumped $1⅛ at $38 after reporting an 85 per cent increase in third quarter sales late on Tuesday. Also, analysts at Morgan Stanley and CS First Boston put buy ratings on the company's shares.

Canada

Toronto remained in record territory in midday trade, spurred by gold and bank stocks, with the TSE-300 Composite index 19.27 higher by noon at 4,741.92 in hefty volume of 42.8m shares.

Placer Dome, the gold giant, rose C$⅝ to C$35¼ in heavy trade as Comex gold rose more than $1 in mid-morning trade.

Methanex shares rose C$¼ to C$10⅞ as investors continued to position themselves ahead of the December 29 expiry of the methanol producer's instalment receipts.

Avenor gave up C$⅝ to C$24⅛ as it said that it would acquire the rest of Pacific Forest Products at C$18 a share. Pacific Forest forged ahead C$2⅝ to C$18⅞.

Gandalf Technologies rose another C$⅝ to C$22⅞ on expectations of a good profits announcement.

SOUTH AFRICA

Johannesburg's industrial shares soared to another record close, while gold issues also showed healthy gains. The overall index jumped 101.8 to 6,147.7, industrials climbed 92.4 to 7,815.7 and golds added 35.8 at 1,350.1. Financials also performed well, with Standard Bank rising R8 to a high of R173.

EUROPE

Ciba hit by report of tests on new drug

Firmer US bonds encouraged ZURICH and the SMI index edged ahead 3.0 to yet another all-time high of 3,281.5.

Ciba, however, dropped SFr28 to SFr1,018 on news that it had halted enrolment of patients for phase 3 trials of its Selfotel stroke and head trauma treatment, after an independent review by the International Data & Safety Monitoring board expressed concern about the treatment.

Mr Mark Tracey at Goldman Sachs described the news as disappointing. However, he maintained his earnings forecasts and the company's outperformer rating.

Mr Tracey added that the news about Selfotel, coming on top of last month's setback for Ciba's blood clotting drug Revasc, might well prompt the management to consider a significant pharmaceutical acquisition.

Sandoz, up SFr11 to SFr1,016, was a beneficiary of swapping out of Ciba.

UBS, SFr12 ahead at SFr1,247, outpaced the other bank shares as it continued to make up ground surrendered last week after its nine-month news conference. Insurers featured a SFr16 advance to SFr1,340 in Swiss Re.

Oerlikon-Bührle lost SFr3.50 to SFr94.50 after Tuesday's warning that the company would not match last year's profits in 1995.

PARIS continued the rebound begun on Tuesday as the market liked the government's firm response. This resulted in a further gain in the CAC-40 index of 19.88 to 1,834.75.

Brokers were generally relieved that Prime Minister Alain Juppé had given a commitment to press ahead with reform of the social welfare system, although there remained many problems ahead.

There was also a rumour, officially denied, that the French and German governments would more closely link the franc and the D-Mark. There is a Franco-German summit in Baden-Baden today.

Bouygues featured with a fall of FFr13 to FFr522 as the company said that two of its executives had been placed under investigation in connection with a probe into public works contracts.

FRANKFURT, slightly higher in quiet floor trading on support from stronger bond prices and a firmer dollar, moved up a little more in the electronic session. The Dax ended at 2,267.18, up 6.19, while the Ibis closed at 2,274.94. Turnover was DM6.6bn.

BMW recovered a little in the post-trading, having been off DM6 at DM756.50, the shares closed at DM761.90. The company was still feeling the effects of a report, which it denied, that it might have to recall some of its vehicles.

MILAN enjoyed a calmer political atmosphere and was supported by a sharp rise in domestic bonds and the lira after news of a government amendment to its 1996 budget to scrap the withholding tax for non-resident bond holders.

The Comit index clawed back 5.52 of recent losses to stand at 553.31 while the real time Mibtel index rose 133 to 8,890.

Fiat, under pressure in recent weeks, picked up L117 to L4,888 as analysts pointed to recent encouraging news about car sales in the UK and the crucially important Brazilian market.

Olivetti improved L11 to L1,088 after the company said that it would start marketing its GSM telephone service from today. Trading in Olivetti rights ends today.

Eni moved up L100 to L5,122, continuing the recovery which began on Tuesday, although the price was still below the offer price of L5,250 at which the shares began trading in Milan, London and New York last week.

Generali, the insurer, rose L414 to L36,450 after Tuesday's confirmation that it expected a better 1995 result.

AMSTERDAM set another record as international issues made strong progress amid scattered profit-taking elsewhere. The AEX index nudged forward 0.12 to 481.98, after a session's high of 488.77.

On the downside the financials took in profit-taking: ABN Amro receded Fl 1.20 to Fl 71.10 and ING Fl 1.20 to Fl 105. On the upside Royal Dutch added Fl 3.10 at Fl 211.50 and Philips Fl 1.10 at FL 63.50, both on strong demand from US institutions.

BRUSSELS was beset by bond market turbulence which left the BEL-20 index down 3.77 at 1,505.79. Turnover dipped to BFr1.6bn from Tuesday's BFr2.4bn. Electrical stocks fared the worst, with Electrabel off BFr10 at BFr6,850. Tractebel lost BFr50 at BFr11,650.

COPENHAGEN saw the KFX index hit a new high for the year as market sentiment was encouraged by the dollar and hopes for lower interest rates. The KFX index made 0.35 to 105.47. Banks with heavy bond portfolios took comfort from a rise in bonds, with Den Danske Bank and Unibank both putting on DKr2 at DKr388 and DKr282 respectively.

ISTANBUL succumbed to profit-taking following an advance of 6.5 per cent over the last two sessions. The composite index retreated 1,021.12 to 40,863.08 as turnover plummeted to TL8,570bn from Tuesday's TL12,410bn.

Written and edited by Michael Morgan and John Pitt

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Dec 6 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1455.46	1455.28	1455.65	1457.58	1458.12	1461.58	1462.28	1464.49
FT-SE Eurotrack 200	1561.73	1562.96	1561.17	1562.82	1563.17	1565.48	1568.36	1569.69

	Dec 5	Dec 4	Dec 1	Nov 30	Nov 29
FT-SE Eurotrack 100	1452.97	1446.02	1457.96	1454.02	1461.76
FT-SE Eurotrack 200	1560.55	1557.58	1564.66	1562.19	1559.95

Base 1000 (26/10/90); Highday: 100 - 1464.75; 200 - 1569.82 Lowday: 100 - 1455.13 200 - 1560.72 † Partial

Brazil slips from opening rally

São Paulo remained up 1.6 per cent by early afternoon, having jumped 2.4 per cent at the opening. The Bovespa index was ahead a net 691.11 at 43,502 as investors turned positive about the forthcoming privatisation of Light, the Rio de Janeiro utility. Turnover had reached an unexceptional R$130m.

On Tuesday the senate committee approved a proposal to separate Light from its stake in Eletropaulo, which is São Paulo's power company.

The floor of the senate was scheduled to vote on the proposal today. Should the vote succeed the National Development Bank would then set an auction date.

MEXICO CITY retreated from an early high and held to narrow gains in uninspired late morning trading. The IPC index of 37 leading shares was up 9.90 points at 2,676.66 after an initial spurt to 2,701.85 shortly following the opening bell.

Traders said the market was firm following a drop in domestic interest rates on Tuesday.

BUENOS AIRES was slightly higher by mid-session in keeping with a rally in government bonds. The Merval index rose 2.94 to 473.86.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: Dec. 1 1995	% Change over week	% Change on Dec '94	Local currency terms: Dec. 1 1995	% Change over week	% Change on Dec '94
Latin America	(252)	463.23	+3.6	-20.2			
Argentina	(30)	737.71	+3.1	+0.5	452,482.22	+3.1	+0.4
Brazil	(72)	312.71	+6.7	-18.6	1,130.34	+6.8	-7.2
Chile	(36)	710.68	+0.8	-9.4	1,174.27	+0.4	-6.9
Colombia[1]	(16)	555.22	-0.0	-31.6	980.91	-0.3	-17.9
Mexico	(67)	442.51	+6.1	-27.2	1,453.04	+5.2	+12.5
Peru[2]	(19)	186.60	+0.5	+4.6	266.88	+1.3	+12.2
Venezuela[3]	(12)	298.37	-50.6	-39.7	2,376.84	+0.9	+23.0
Asia	(677)	227.31	+4.3	-8.9			
China[4]	(20)	57.62	+3.4	-24.0	60.50	+3.4	-25.3
South Korea[5]	(159)	133.97	-1.3	-2.1	135.54	-1.2	-4.4
Philippines	(25)	245.94	+7.4	-17.5	311.15	+7.3	-11.4
Taiwan, China[6]	(93)	104.86	+5.1	-36.2	107.68	+5.2	-33.6
India[7]	(101)	78.06	-0.7	-36.8	96.78	-0.6	-29.7
Indonesia[8]	(42)	108.33	+6.9	+8.6	134.43	+6.9	+12.9
Malaysia	(114)	266.56	+6.3	-0.8	249.25	+6.0	-1.6
Pakistan[9]	(36)	218.26	-3.0	-40.4	339.10	-3.0	-33.7
Sri Lanka[10]	(19)	102.54	-2.1	-40.4	118.61	-1.4	-36.0
Thailand	(68)	363.19	+0.5	-5.3	362.81	+0.6	-5.1
Euro/Mid East	(209)	136.96	-1.0	+15.6			
Greece	(40)	237.31	+1.8	+5.2	382.19	+3.6	+3.9
Hungary[11]	(5)	109.65	-2.0	-27.7	178.91	-0.3	-13.4
Jordan	(8)	174.21	-3.6	+16.1	260.03	-3.6	+17.0
Poland[12]	(16)	433.31	-2.9	-7.7	687.67	-1.4	-4.5
Portugal	(27)	111.50	-2.4	-7.9	116.05	-0.3	-12.4
South Africa[13]	(64)	246.73	-0.5	+9.8	186.76	-0.2	-1.3
Turkey[14]	(44)	111.84	-7.3	-8.1	2,890.54	-5.8	+30.8
Zimbabwe[15]	(5)	273.08	+3.9	+11.6	372.49	+3.8	+23.6
Composite	(1138)	269.17	+2.3	-12.4			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10)Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 4 1989; (15)June 2 1993.

With the performance of emerging markets in 1995 having been more than disappointing, down in excess of 12 per cent in dollar terms according to IFC data, does 1996 hold a better prospect, writes John Pitt.

The global strategy unit at ING Barings (Michael Howell, Angela Cozzini and Mark Clayton) believes so and claims to have found some positive early indications. For instance, the team says, the fund flow into certain US mutual funds appears from a number of sources to have been picking up, and an estimated $50bn is expected to come into the sector in 1996, some three times estimated 1995 inflows; "however, like 1995, we believe that more of this new money will be skewed towards the newer emerging market regions of eastern Europe and Russia".

● Lehman Brothers, which went "overweight" in Turkey at the end of October, and then watched as the market fell nearly 24 per cent over the next month, remains positive. The broker forecasts that elections set for December 24 will go ahead on that date, in spite of constitutional efforts being made to have them cancelled. It is further encouraged by signs that an agreement on customs union with the European Union appears much more likely than hitherto. "We still think equity market valuations are extremely attractive in absolute and relative terms, with our yield gap indicating a 15 per cent real expected return above prevailing bond yields," says Lehman.

ASIA PACIFIC

Advancing Nikkei regains 19,000-point level

Tokyo

Tuesday's advance on Wall Street provided support and the Nikkei average closed above the 19,000 level for the first time since January 19, *writes Emiko Terazono in Tokyo.*

The 225-share index gained 188.33 or 1 per cent at 19,067.86. Overseas investors purchased large-capital steels and high-technology issues, while a rise in the futures market also prompted technical buying. The index fluctuated between 18,888.80 and 19,118.07, with institutional profit-taking capping the rise.

Volume increased to 450m shares from 398.5m. Brokerage dealers and individual investors were also active. The Topix index of all first section stocks rose 8.12 or 0.5 per cent to 1,510.38 and the Nikkei 300 put on 1.55 at 283.90. Advances outscored declines by 638 to 398, with 170 issues unchanged.

In London the ISE/Nikkei 50 index firmed 3.67 to 1,306.48.

A rise in the March Nikkei futures contract in Chicago on Tuesday eased fears ahead of Friday's December futures and options settlements. Although long arbitrage positions are at record levels, traders said that the chances of arbitrageurs liquidating them, instead of rolling them over, seemed to have subsided.

High-technology stocks were actively bought. Toshiba, the most heavily traded issue of the day, rose Y35 to Y781 and Oki Electric added Y36 at Y980. Sony surged Y120 to Y5,620 on buying by individual investors, who regard the stock, heavily sold at the start of last month, as a laggard.

Brokerage houses were firm as investors were encouraged by the rising volumes on the stock market. Nomura Securities rose Y10 to Y2,080 on purchases by foreign investors and investment trust funds.

Nippon Telegraph and Telephone lost Y6,000 to Y848,000 on profit-taking by individual investors. Other former state owned companies were also lower, with East Japan Railway down Y3,000 to Y502,000 and Japan Tobacco declining Y3,000 to Y897,000.

Nissho Iwai, the trading company, rose Y20 to Y550. Investors were encouraged by the company's active involvement in the information business, including its 50 per cent stake in Nifty, an Internet server.

In Osaka, the OSE average rose 86.52 to 20,403.27 in volume of 254.6m shares.

Roundup

Heavy foreign demand took BANGKOK higher for the third consecutive day and the SET index jumped 21.31 or 1.7 per cent to 1,275.63 with finance and banking issues at the centre of attention.

SEOUL also rose for the third day in a row, with steadily increasing volume, suggesting that investors were starting to shake off the effects of the recent political scandals. The composite index added 7.59 at 954.57.

The insurance sector was among the strongest movers. The sub-index climbed 3.9 per cent on expectations of good performances next year. Samsung Fire and Marine moved ahead Won21,000 to its upper limit of Won376,000.

SINGAPORE was dragged lower by a slide in Keppel, which was hit by negative sentiment after a recent report said the group may face a S$1.2bn levy from its proposed conversion of its shipyard site into residential development.

The Straits Times Industrial index declined 14.05 to 2,154.43, with Keppel's 50-cent fall to S$11.70 contributing about 7.8 points of the index's loss.

HONG KONG was marked sharply down on rumours that Henderson Land planned a HK$2bn to HK$4bn placement. The Hang Seng index dropped 76.48 to 9,898.89 in turnover that slipped to HK$4.1bn as Henderson tumbled HK$1.30 to HK$46.80.

KUALA LUMPUR pushed through psychological resistance at the 1,000-point level in morning trade, for the first time since October 2, before investors began to lock in profits accumulated during the past week. The composite index ended 4.19 higher at 995.76, but off the day's best level of 1,004.38.

SYDNEY was weak after futures faded in the afternoon session and key leading stocks again suffered profit-taking, leaving the All Ordinaries index to finish 4.7 softer at 2,198.6.

WELLINGTON was pulled down by a fall in Fletcher Challenge, after two Scandinavian timber companies cut their pulp prices. The NZSE-40 Capital index ended 16.49 off at 2,131.31 in light turnover as FCL shed 11 cents to NZ$3.69.

MANILA defied some expectations that the market was due for a technical correction, with heavy demand for Philippine National Bank aiding the rise. The composite index put on 20.59 at 2,572.16 as PNB jumped 20 pesos to 275 pesos.

TAIPEI reversed an early advance after late selling in the heavily weighted financial sector, and the weighted index finished 50.04 down at 4,722.93.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY DECEMBER 5 1995: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY DECEMBER 4 1995: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (82)	188.34	-0.1	181.25	120.75	140.64	169.82	0.1	3.89	188.51	182.26	120.39	140.94	169.56	191.01	157.95	169.55
Austria (27)	173.25	1.2	166.73	111.08	129.37	129.30	1.1	1.61	171.19	165.50	109.33	127.99	127.92	199.28	167.48	180.02
Belgium (35)	201.64	0.1	194.05	129.27	150.57	146.69	-0.1	3.57	201.41	194.72	128.63	150.58	146.87	201.64	164.78	169.11
Brazil (28)	139.35	-1.1	134.11	89.34	104.06	247.84	-1.1	1.70	140.88	136.20	89.97	105.33	250.57	180.75	86.06	170.40
Canada (101)	148.19	0.2	142.61	95.01	110.66	146.76	0.3	2.53	147.92	143.01	94.47	110.59	146.26	150.83	121.81	126.41
Denmark (33)	286.41	0.6	275.63	183.62	213.87	216.63	0.4	1.51	284.74	275.28	181.85	212.88	215.80	295.99	238.61	243.81
Finland (25)	214.31	-0.6	206.24	137.40	160.03	192.62	-0.8	1.66	215.57	208.41	137.68	161.17	194.08	276.11	171.13	181.01
France (100)	172.46	2.8	165.97	110.57	128.78	134.24	1.9	3.27	167.70	162.13	107.10	125.38	131.70	191.17	157.79	168.38
Germany (59)	162.26	0.6	156.15	104.03	121.16	121.16	0.4	1.98	161.36	156.00	103.05	120.64	120.64	167.74	135.39	139.16
Hong Kong (55)	382.65	0.2	368.25	245.33	285.74	380.05	0.2	3.85	381.78	369.10	243.83	285.44	379.15	389.39	277.40	330.45
Ireland (16)	257.05	1.3	247.37	164.80	191.95	227.13	0.8	3.36	253.72	245.30	162.04	189.70	225.26	260.87	195.34	198.88
Italy (59)	67.22	-0.7	64.69	43.10	50.20	80.18	-1.0	1.82	67.67	65.43	43.22	50.60	80.97	82.71	65.45	74.06
Japan (483)	149.90	-0.4	144.26	96.11	111.94	96.11	0.0	0.79	150.53	145.53	96.14	112.55	96.14	164.82	136.95	153.74
Malaysia (106)	482.81	0.3	464.64	309.54	360.53	472.40	0.6	1.74	481.43	465.45	307.47	359.95	469.69	561.96	398.16	470.18
Mexico (18)	995.70	-1.5	958.21	638.36	743.50	8344.51	-0.7	1.67	1010.50	976.94	645.36	755.50	8402.25	2062.03	647.81	2061.46
Netherland (19)	266.70	0.7	256.66	170.99	199.16	195.68	0.6	3.34	264.79	256.00	169.11	197.97	194.59	266.70	207.60	211.16
New Zealand (14)	78.40	0.2	75.45	50.27	58.55	64.36	0.4	4.51	78.28	75.68	49.99	58.53	64.12	85.49	69.56	71.15
Norway (33)	225.26	0.4	216.78	144.42	168.21	183.53	0.2	2.16	224.44	216.99	143.34	167.80	183.16	243.79	198.73	203.81
Singapore (44)	389.97	0.6	375.29	250.02	291.21	253.84	0.5	1.60	387.57	374.70	247.52	289.77	252.49	414.26	313.94	361.38
South Africa (45)	374.50	1.4	360.39	240.10	279.64	299.93	1.5	3.98	369.26	357.00	235.83	276.08	295.62	376.56	261.06	323.84
Spain (38)	159.35	0.3	153.35	102.16	118.99	148.07	0.2	3.87	158.86	153.58	101.45	118.77	147.82	160.51	124.10	140.61
Sweden (47)	317.12	0.2	305.18	203.31	236.80	307.59	-0.1	1.95	316.57	306.06	202.18	236.69	308.06	321.99	225.80	234.89
Switzerland (40)	229.93	0.1	221.27	147.41	171.69	166.28	0.0	1.60	229.65	222.03	146.67	171.70	166.25	230.31	158.36	161.26
Thailand (46)	162.91	0.0	156.78	104.44	121.65	158.92	0.0	2.56	162.88	157.47	104.02	121.78	158.92	184.55	130.15	154.95
United Kingdom (206)	227.02	0.3	218.47	145.55	169.52	218.47	-0.1	4.01	226.27	218.76	144.51	169.18	218.76	228.33	187.07	191.97
USA (639)	252.45	0.6	242.95	161.85	188.51	252.45	0.6	2.21	250.96	242.63	160.28	187.63	250.96	252.45	182.33	185.51
Americas (786)	229.97	0.6	221.31	147.44	171.72	193.30	0.6	2.22	228.71	221.11	146.07	170.99	192.22	229.97	170.66	173.48
Europe (737)	196.75	0.6	189.35	126.14	146.92	167.59	0.2	3.04	195.56	189.06	124.89	146.21	167.17	199.02	163.04	167.61
Nordic (138)	282.52	0.1	271.88	181.13	210.96	237.61	-0.1	1.86	282.10	272.73	180.16	210.91	237.89	295.02	215.79	223.19
Pacific Basin (832)	160.41	-0.3	154.37	102.84	119.78	106.67	0.0	1.23	160.91	155.57	102.77	120.31	106.64	171.87	145.93	161.29
Euro-Pacific (1569)	175.45	0.1	168.84	112.49	131.01	128.74	0.1	2.08	175.24	169.42	111.92	131.02	128.57	178.33	154.73	163.80
North America (740)	246.02	0.6	236.75	157.72	183.70	245.36	0.6	2.22	244.60	236.47	156.21	182.87	243.95	246.02	178.86	181.97
Europe Ex. UK (531)	176.21	0.8	169.57	112.97	131.58	140.11	0.5	2.49	174.85	169.05	111.67	130.73	139.46	179.46	146.45	150.80
Pacific Ex. Japan (349)	260.61	0.2	250.99	167.21	194.76	230.49	0.3	3.21	260.35	251.71	166.28	194.66	229.78	269.72	211.19	236.58
World Ex. US (1761)	176.46	0.1	169.82	113.13	131.77	133.50	0.1	2.12	176.23	170.38	112.55	131.76	133.30	178.73	155.42	165.63
World Ex. UK (2194)	197.19	0.3	189.76	126.42	147.24	162.76	0.4	1.97	196.54	190.02	125.52	146.94	162.13	197.19	163.46	169.20
World Ex. Japan (1917)	227.76	0.6	219.19	146.02	170.07	213.44	0.5	2.58	226.50	218.97	144.65	169.34	212.48	227.76	178.95	182.40
The World Index (2400)	199.81	0.3	192.29	128.10	149.20	187.68	0.3	2.16	199.16	192.55	127.20	148.90	187.12	199.81	165.92	171.21

Latest prices were unavailable for this edition. Market closed 5/12/95, Thailand.

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